**US invasion**
*Investment banks push into Europe*
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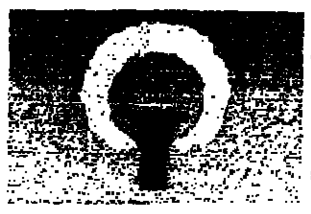

**Crossing borders**
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**The cooler office**
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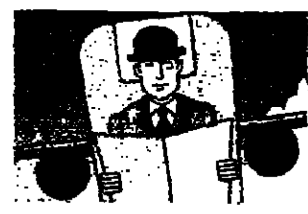

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# FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY APRIL 20 1994 — D8523A

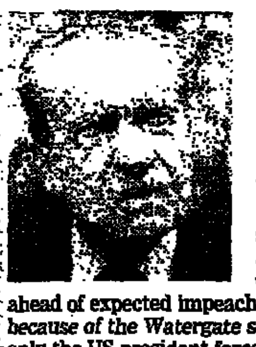

## Russia expects IMF to release $1.5bn in funds

The Russian government expects the board of the International Monetary Fund to release today a $1.5bn loan – agreed provisionally last month with IMF managing director Michel Camdessus. The loan represents an act of faith by the IMF in government of Victor Chernomyrdin, and is meant to encourage other international financial institutions, and above all private investors, to step up activity in Russia. The World Bank is expected to lend about $2bn this year, while there are some signs of increased financial investment in Russian companies. Page 14; Editorial Comment, Page 23

**Chrysler** underscored the strong recovery in the US vehicle market by reporting a 77 per cent increase in underlying first-quarter earnings and its most profitable quarter ever. Page 15

**Unionist sees end to Ulster violence:** Terrorist violence in Northern Ireland could end within a year, James Molyneaux, leader of the Ulster Unionist party, predicted predicted during a visit to Washington. Page 14

**Nixon stable after serious stroke**



Former US President Richard Nixon, 81, (left) was reported to be in stable condition in a New York hospital after suffering a serious stroke at his New Jersey home. Doctors said he was conscious and alert, but unable to speak and under intensive care. Nixon left office in August 1974 ahead of expected impeachment proceedings because of the Watergate scandals, becoming only the US president forced to resign. Page 5

**ADB tightens lending polices:** The Asian Development Bank has tightened its lending policies in order to overcome resistance from shareholders, particularly the US, to a capital increase. Page 4

**Consortium named for bridge:** A group led by Trafalgar House of Britain was chosen to build and operate a Es180bn ($1.04bn) toll bridge over the river Tagus near the Portuguese capital of Lisbon. Page 14

**Berlusconi appears at bribes inquiry:** Silvio Berlusconi, media magnate turned politician, gave evidence to Turin magistrates investigating alleged bribes paid by his Fininvest group and French investors to secure a shopping development. Page 2

**Ashanti valued at $1.7bn:** Shares in Ashanti Goldfields of Ghana, which owns one of the world's great gold mines, were priced at $20, at the top of the $17 to $20 range in the March prospectus. Page 15

**Japan rethinks on use of plutonium:** Japan is considering reducing the use of plutonium as a fuel for commercial power stations, Ministry of International Trade and Industry said. Page 4

**Groupe GAN,** French insurance group, experienced another difficult year in 1993 with static net profits of FFr414.3m ($70.2m). Page 15

**Watanabe drops bid to be PM:** Japan's opposition Liberal Democratic party averted a break-up when veteran faction leader Michio Watanabe dropped his bid to be prime minister. Page 4

**Paris airport clash looms:** France appears to be heading into a row with Britain and the European Commission after a Commission report said Air France was abusing its monopoly position at Orly airport, Paris. Page 3

**Strasbourg set for cash crisis:** The European Parliament is heading for a financial crisis as a result of its decision to bow to French pressure for a new parliament building in Strasbourg, according to an unpublished report by the parliament's secretariat. Page 3

**González fends off calls to resign:** Spanish prime minister Felipe González fended off opposition calls for his resignation over the alleged financial misconduct of senior officials and promised a crackdown on corruption. Page 2

**Bomb explodes in Tehran:** A bomb injured 13 people, including two children, and destroyed five cars at a busy intersection in central Tehran. It was the second bombing in the Iranian capital this year.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,128.0 | (-10.2) |
| Yield | 3.89 | |
| FT-SE Eurotrack 100 | 1,448.50 | (-22.06) |
| FT-SE-A All-Share | 1,582.94 | (-0.3%) |
| Nikkei | 20,192.34 | (-85.02) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,610.90 | (-9.52) |
| S&P Composite | 442.04 | (-0.42) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | $3\frac{11}{16}$% |
| 3-mo Treas Bills: Yld | 3.818% |
| Long Bond | 86$\frac{1}{2}$ |
| Yield | 7.389% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5$\frac{1}{16}$% | (Same) |
| Liffe long gilt future: | Jun 106$\frac{13}{32}$ | (Same) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Jun) | $14.92 | (15.1) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Jun) | $373.2 | (378.5) |
| London | $372.8 | (377.7) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.477 | |
| London: | | |
| $ | 1.4782 | (1.4701) |
| DM | 2.5144 | (2.5288) |
| FFr | 8.6213 | (8.6546) |
| SFr | 2.1318 | (2.1448) |
| Y | 152.587 | (152.334) |
| £ Index | 79.6 | (80.0) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.7015 | |
| FFr | 5.838 | |
| SFr | 1.443 | |
| Y | 103.25 | |
| London: | | |
| DM | 1.701 | (1.7202) |
| FFr | 5.8325 | (5.8873) |
| SFr | 1.4422 | (1.459) |
| Y | 103.215 | (103.625) |
| $ Index | 66.2 | (66.6) |

Tokyo close Y 103.23

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lv25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk8.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Peso50 | Syria | S£50.00 |
| France | FFr9.00 | Kuwait | Fils625 | Poland | Zl 32,000 | Tunisia | Din1.500 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L13000 |
| | | | | | | UAE | Dh12.00 |

# Fake Kidder trading profits date back to 1991

By Richard Waters in New York

The phantom trading scheme at Kidder Peabody which led the US investment bank to report false profits of $350m had escaped the attention of the bank and its auditors since as far back as 1991.

Mr Jack Welch, chairman of General Electric, Kidder's parent, told the Financial Times yesterday that the phantom profits created by the scheme stretched back for some time.

"We would estimate that approximately $150m of this occurred last year," he said. As a result, "Kidder's earning power was still high after this [$350m] charge," he added.

The false profits, which Kidder has blamed on its head government bond trader, Mr Joseph Jett, emerged only at the end of last week, after an escalation in the phantom trades prompted a closer examination.

Mr Jett joined the bank in 1991 and rapidly rose to become the head of its government bond trading desk. The profits he reported from trading brought him a bonus of $9m last year, although not all was paid in cash.

Mr Welch said: "Kidder requires a portion to be put away in an equity account to be paid from future earnings. So some of that is retained in the firm."

Mr Welch said Kidder's problems highlighted a failure by it and other Wall Street firms to give sufficient power to the people responsible for controlling traders. He added that the problem had not prompted him to reconsider whether or not to sell the investment bank, and that its earnings remained strong.

Commenting on the "star" culture on Wall Street, Mr Welch said: "My concern is whether or not that money turns out to give a prestige and power and influence to people that's inordinate."

He added: "The imbalances in the system are such that a strong successful personality may have more influence than they should.

"This is not the first instance that it ever happened on Wall Street."

Mr Welch said Kidder would continue to pay bonuses in line with those paid by other houses. He added, though, that a review was underway at the bank which was likely to lead to more power for managers involved in internal control.

"I use the term 'voice'. Do we recognise voice in control people? Do we listen with a careful ear to the wall to everything they say so they have enough clout when they see things that might concern them, or are they brushed aside?"

GE attempted to sell Kidder two years ago to Primerica, which owns the rival investment bank Smith Barney Shearson. Mr Welch said that there had been no discussions about selling the bank since.

"I don't think you change strategic direction that's been very successful because you end up having a lapse in your hiring practice, and whatever else went wrong here in the control situation...If you'd have asked me 96 hours ago, I'd have said we were we on the right track, we're doing well, we like it a lot. I don't think we've have had an incident here which is changing the fundamentals."

Lex, Page 14

## Buthelezi backs down as deal is struck over South African election

# Inkatha to contest all-race poll

By Patti Waldmeir in Pretoria and Michael Holman and Mark Suzman in Johannesburg

South Africa's three main political leaders last night charted a course for peace when they reached a last-minute deal to allow the mainly Zulu Inkatha Freedom party to participate in all-race elections, now less than a week away.

In a dramatic retreat, Chief Mangosuthu Buthelezi, the Inkatha leader, abandoned his demands for important changes to the South African constitution and a postponement of the April 26-28 election. He stunned a Pretoria press conference when he said Inkatha would participate in national and regional elections, and signed an agreement which satisfied almost none of his original demands.

Mr Nelson Mandela, the African National Congress leader who met Chief Buthelezi and President F.W. de Klerk for eleventh-hour talks yesterday, hailed the deal as "a leap forward for peace, reconciliation, nation-building and [an] inclusive election process".

The dramatic improvement in South Africa's political fortunes delighted the local markets. Pessimism of recent days gave way to relief, and the news boosted the Johannesburg Stock Exchange index by 2.2 per cent. The financial rand, the country's investment currency, rallied by 8 per cent against the dollar.

The deal was welcomed by political figures abroad. Mr Douglas Hurd, UK foreign secretary, said he hoped it would "enable these historic elections to proceed in peace, with all South Africans freely able to participate". Chief Emeka Anyaoku, Commonwealth secretary general, praised the three leaders for "looking beyond narrow partisan interests".

Even before the official announcement, Inkatha election posters were going on display in Natal.

In Ulundi, the capital of the KwaZulu "homeland" which Chief Buthelezi heads, there was jubilation among members of the local legislative assembly.

Thousands of Inkatha supporters are expected to take part in a rally today at Ulundi, marking the start of the party's campaign.

Chief Buthelezi said he had decided to compromise on his demands "to avoid a great deal more [of the] bloodshed and carnage which we have been witness to in recent months", although he cautioned against expectations of an immediate cessation of the hostilities which have left more than 500 people dead in the past six weeks.

"There's no way that in the next seven days violence is going to vanish," he said, as fierce gun battles continued in townships near Johannesburg between his supporters and Mr Mandela's.

All three leaders applauded the role of Prof Washington Okumu, a Kenyan mediator, in negotiating the deal, which will entrench the position of Zulu King Goodwill Zwelithini in the country's constitution, and provides for international mediation of other constitutional disputes.

Financial rand soars; Buthelezi, God and realpolitik, Page 4
Editorial Comment, Page 13

South African president F.W. de Klerk (centre) and African National Congress leader Nelson Mandela examine a copy of the agreement that cleared the way for the Inkatha Freedom party of Chief Mangosuthu Buthelezi (left) to take part in next week's elections Howard Burditt, Reuter

**Inkatha's 11th hour decision to take part in the elections has created daunting problems – not least how to get its name on 80m ballot papers writes Mark Suzman in Johannesburg.**

**Regional and national ballot papers are already printed and there is no plan to pulp them. Tens of thousands of officials from the Independent Electoral Commission will have to spend their weekend affixing to the papers adhesive stickers bearing Inkatha's name, logo and Chief Buthelezi's photograph.**

**To cater for the increase in expected voters in KwaZulu/Natal province, a further 700 polling booths will have to be set up and monitors hired and trained to staff them.**

# Yeltsin calls for summit on Bosnia

By Jurek Martin in Washington, Laura Silber in Belgrade and Lionel Barber in Brussels

Russia's president Boris Yeltsin last night called for an urgent summit between Russia, the US and the European Union to solve the worsening crisis in Bosnia.

Marking a sharp reversal in Russia's previous sympathetic treatment of the Bosnian Serbs, Mr Yeltsin urged them to stop their attack on the Moslem enclave of Gorazde, while Mr Andrei Kozyrev, the foreign minister, warned the Serb forces not to "test the patience of the world community".

Mr Yeltsin has previously suggested a summit, but this proposal comes amid growing international calls for action, and was welcomed by President Bill Clinton, who was meeting with his senior military and foreign policy advisers to review the military and diplomatic options.

Although US officials were conceding that little could now be done to prevent the fall of the eastern Moslem enclave of Gorazde to surrounding Serb forces, the broader use of Nato air power to protect other Bosnian "safe havens" was understood to be high on the list. It was also urged by Mr Boutros Boutros Ghali, the UN secretary-general.

Serb forces nevertheless continued to fire on Gorazde and in

Continued on Page 14
Russia vents fury on Bosnia Serbs, Page 2

# US trade deficit soars as partners' growth rate lags

By Michael Prowse in Washington

The US trade deficit soared in February, reflecting faster economic growth in the US than in most of its trading partners, the Commerce Department reported yesterday.

The overall deficit on trade in goods and services rose to $9.7bn, against a revised $6.6bn in January. Most Wall Street analysts had predicted a decline to $6bn or less.

The poor figures are likely to increase domestic political pressure on the Clinton administration to take an aggressive stance in talks with Japan on opening its domestic market.

The deficit on merchandise trade, on the customs basis, rose to $12.4bn, against $10.1bn in January, the highest monthly total since the economic boom of the late 1980s. The deficit on trade in goods on the new "balance of payments" basis rose to $13.9bn. The surplus on trade in services fell from $4.7bn to $4.2bn.

Mr Ron Brown, commerce secretary, said the deterioration was "substantial" and affected all categories of US trade. The figures would have a "dampening effect on first quarter GDP" and illustrated the risk to the US recovery posed by slow growth in Europe and Japan. "We continue to urge the other major trading nations to take the policy actions needed to create balanced growth in the world economy," he said.

**US trade deficit**



Source: Datastream

Mr David Wyss, chief economist at DRI/McGraw-Hill, the forecasting group, said the higher deficit would reduce growth in the first quarter by about a percentage point. However, he thought gross domestic product was still likely to grow at an annual rate of about 4 per cent. Other analysts revised down estimates of growth in the first quarter to about 3 per cent at an annual rate. The poor February trade figures reflected the combined impact of a 2.7 per cent rise in imports from January and 2.6 per cent decline in exports.

Part of the deterioration reflected special factors. Exports of capital goods were depressed by a sharp fall in aircraft exports which are volatile on a monthly basis. Oil imports rose because of exceptionally cold weather.

The overall US trade deficit was $76.7bn last year, nearly double the $39.7bn shortfall in 1992. Mr Wyss predicted the deficit would rise to about $125bn this year, or about 2 per cent of GDP.

Bonds, Currencies, World stocks, Second section

CONTENTS





 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

## Outraged politicians claim agreements have been betrayed

# Russia vents fury on Bosnia Serbs

By John Lloyd in Moscow

Russian politicians yesterday turned in fury on the Bosnian Serbs, outraged by what they see as a betrayal of agreements made between them which humiliates Russia in the highest-profile foreign mediation undertaken since the fall of the Soviet Union.

Mr Andrei Kozyrev, the foreign minister, warned the Bosnian Serbs "not to test the patience of the world community" – though he added that the Serbs continued to promise him that they would not capture the besieged city of Gorazde, would stop shelling it and would agree on security zones controlled by the UN.

In a telephone conversation with Chancellor Helmut Kohl of Germany, President Boris Yeltsin said Russia was using "maximum efforts" to stop the escalation of the crisis. But it would continue to support "peaceful initiatives to resolve the conflict", a continuation of the Russian aversion to the use of force against the Serbs.

Mr Vitaly Churkin, the special envoy to former Yugoslavia, had expressed himself much more strongly on Monday, saying he had reversed his previous position and was now prepared to advise Moscow to support the use of force against the Serbs. "Russia is now stopping all its attempts to mediate," he said yesterday.

A senior Foreign Ministry official, speaking anonymously, supported the Churkin line yesterday, saying the Russian ambassador to Belgrade should be recalled and that the Bosnian Serb leadership, including Mr Radovan Karadzic and General Ratko Mladic, were "mad".

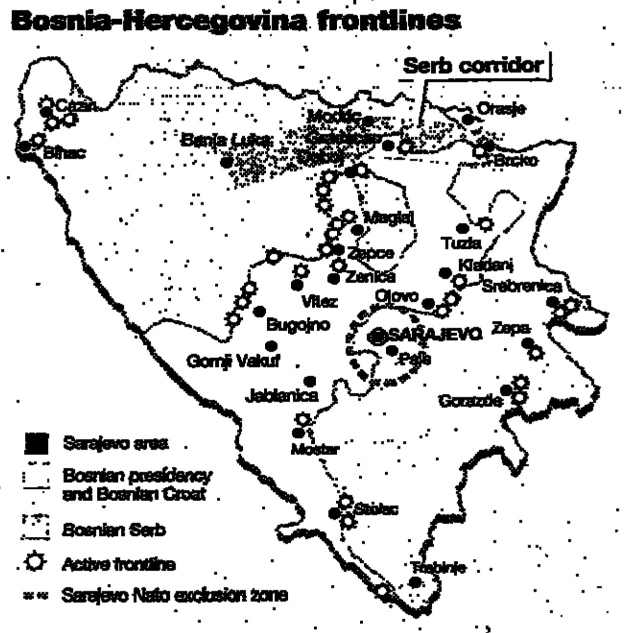
"The Serbs are cheating on the world community, and we can no longer believe them," said the official.

"This is exactly the situation at the beginning of the last two world wars, when one of the two sides found itself faced with a choice between two very bad alternatives."

The Russian state duma, or lower house, debates Bosnia in a closed session today, with the liberal politicians for once in the moral ascendancy against the more numerous forces who generally side decisively with the Serbs.

The outrage expressed by Mr Kozyrev and Mr Churkin is in part aimed at convincing parliament that the Foreign Ministry has tried its best and been betrayed. They are trying to release the head of steam building up against Nato for air strikes, and thus against the Partnership for Peace agreement which Russia is delaying signing because of internal disagreements.

**Bosnia-Hercegovina frontlines**




Source: UNHCR, April 1, 1994

# New offensive reported in north of republic

By Laura Silber in Belgrade

With the Bosnian Serb army poised to partition Gorazde, the Moslem enclave in south-eastern Bosnia, media reports in Serbia have begun to warn of a new offensive to the north.

Both the Moslems and Croats, on one side, and the Serbs, on the other, have high stakes in the strategic Posavina, the Sava river valley, spanning northern Bosnia.

Belgrade radio yesterday repeated a claim that a "Moslem offensive was under way on all fronts" in Bosnia. It accused the Bosnian government of aiming to wrest land from Serb forces in northern Bosnia, where Serb forces have carved out a corridor linking Belgrade to Serb-held territory in Bosnia and Croatia.

Vecernje Novosti, Serbia's most popular newspaper, warned of "hellish battles" in a 10-day Moslem offensive at Brcko, towards the eastern end of the corridor. It also described "constant infantry attacks" in the region.

The reports could not be confirmed. In the past, Serb offensives have been preceded by charges of Moslem attacks.

Independent analysts in Belgrade believe the Bosnian army, if backed by the Croats, could benefit by attacking Serb positions round Brcko. It is at Brcko where the Serb army is at its most vulnerable. Its land corridor is only about 10km at its widest and could be severed by a Croat and Moslem offensive from the north and south.

However while Mr Gojko Susak, Croatia's defence minister, remains in office, the Moslem-led Bosnian government is unlikely to take seriously Croatia's commitment to respect Bosnia's borders and will shrink from launching an offensive with them against the Serbs. Mr Susak was behind Croatia's drive to divide Bosnia-Hercegovina with Serbia.

Reports of Moslem offensives could herald the next episode in the Serb quest to carve out their own state in the ruins of Bosnia.

# UN and Nato in search of a strategy

**Bruce Clark and Edward Mortimer** review the options left after the Gorazde debacle

**After the debacle at Gorazde, policy-makers at UN and Nato headquarters, and in the capitals of the main member states, are reviewing a range of options.**

**It is much easier to suggest different strategies that might have been tried at earlier stages in the Yugoslav conflict – for instance, a show of force in late 1991 to halt the shelling of Dubrovnik and Vukovar by the Yugoslav armed forces, or a lifting of the arms embargo on Bosnia as soon as its independence was recognised in April 1992 – than to propose one which could plausibly be implemented now**

**The starting-point now has to be the presence of the UN protection force (Unprofor). On the one hand, tens of thousands of Bosnians have become dependent on it for relief supplies, and it is unlikely the ceasefire in Sarajevo or many other parts of the country would survive if it was pulled out. On the other hand, Unprofor itself is in some degree dependent on Serb goodwill. Besides the 150 or so military observers and other personnel who have actually been detained behind Serb lines, the whole Unprofor garrison in Sarajevo (some 4,700 people) is virtually surrounded by Serb forces.**

**Unprofor was not conceived or constructed as an intervention force. Its deployment has always been based on the assumption that all sides would accept its presence, and few if any of the contributing governments would allow their men to remain if it were to be reconfigured as a combat force. But pulling it out is not an easy option either, politically or even militarily. In the worst case, parts of it might actually have to fight their way out, or be rescued by air.**

**For most imaginable new strategies, therefore, Unprofor would be more a liability than an asset. The only other existing asset which the UN has in its hands is the regime of sanctions imposed on the rump Yugoslavia. These have had a devastating effect on the Serbian economy and President Slobodan Milosevic is clearly anxious to have them lifted.**

Schematically, the options fall into the following broad categories, starting with the most belligerent and reading across to the softest:

● OPTION 1: "Take on the Serbs" by escalating air strikes and putting in more UN ground troops, with a clear mandate to change the balance of forces on the ground in the Bosnian government's favour, and so oblige the Serbs to accept a more equitable territorial and constitutional settlement.

Objections: This would involve a huge increase in expenditure and acceptance of heavy casualties. It would almost certainly provoke fresh waves of Serb atrocities against Moslem civilians, and might encourage Moslems or Croats to commit atrocities against Serb civilians in areas they would recapture.

It would be hard to get UN blessing for such a course *because Russia would veto it.* Its effectiveness would be hard to predict. Recent experience has shown that air strikes can be difficult to carry out in foggy, mountainous terrain and virtually impossible in built-up areas. Serb anti-aircraft fire is also much more effective than the west thought. Troops from the leading western countries would be subjected to continuous provocations, aimed at forcing them to leave or goading them into confrontation.

The number of ground troops needed would be enormous: 7,000 battle-hardened Moslem soldiers were unable to defend Gorazde, and one UN estimate suggests that 34,000 troops would be needed to defend the safe areas alone.

● OPTION 2: Withdraw all UN personnel, military and humanitarian, from the ground in order to have a free hand to carry out strikes.

Objections: This would also *alienate Russia*, with uncertain military results. The withdrawal could lead to a humanitarian disaster, and communities that depend on UN convoys might obstruct withdrawal by making dramatic protests. This would not look good on television.

Even worse, the Serbs would guess the purpose of withdrawal accurately enough, and take their own steps to prevent it, escalating their tactic of keeping UN personnel hostage.

● OPTION 3: Disengage completely from the ground and the air, and "let them fight it out". The arms embargo against the Bosnian government would be lifted (which could also be a feature of options 1 and 2).

Objections: Without Nato air cover the Bosnian government would be hard pressed to hold its ground against the Serbs, who would launch an all-out offensive to take advantage of the period before significant *new weapons could arrive and* be deployed. The credibility of Nato and the EU as guardians of regional stability would be reduced even further by their open abdication. Renewed fighting might well break out in Croatia and/or Kosovo and Macedonia, with all the risks of a wider Balkan war.

● OPTION 4: Play down military options and renew efforts to secure a diplomatic settlement, using offers of reconstruction aid for Bosnia, and gradual lifting of sanctions on Serbia to coax the parties along.

Objections: This is essentially the strategy pursued by the EU so far (while the US has suggested linking the easing of sanctions to Serb behaviour in Croatia and possibly Kosovo). If continued now, it will at best consolidate recent Serb gains and reward the Serbs' bad faith. The Bosnian government will be very reluctant to resume negotiations on this basis. Its army has made substantial gains in central Bosnia in recent weeks, and the Moslems may now feel they have more to gain from military options than from diplomacy under the guidance of an uncertain west. Also, western acceptance of the latest Serb conquests would encourage other regional bullies to think that aggression and bad faith will go unpunished.

It could be very difficult to reimpose sanctions in the event of Serb backsliding.

● OPTION 5: Lift sanctions unconditionally, as suggested by Russia, in the hope that this will make the Serbs feel more conciliatory and encourage them to behave better.

Objection: This would enrage the Bosnian Moslems, other Moslem countries, and western public opinion. It would certainly be vetoed by the US. The Serbs' behaviour in Gorazde would argue against any proposal that expects them to *show good faith or moderation.*

Investigating magistrate Antonio Di Pietro: damning criticism of those questioned in corruption scandals AP

# Berlusconi gives evidence in bribes inquiry

By Robert Graham in Rome

Mr Silvio Berlusconi, the media magnate turned politician, yesterday gave evidence for three hours to Turin magistrates investigating alleged bribes paid by his Fininvest group and French investors to secure a large shopping development in the city.

His appearance was a reminder that the man most likely to become Italy's next prime minister still has questions to answer before the law.

His questioning coincided with the severest criticism to date of people interrogated in the two-year-old corruption scandals. Mr Antonio Di Pietro, the most prominent of Milan's investigative magistrates, yesterday claimed none of them had volunteered information and had only co-operated when confronted with irrefutable evidence.

Mr Di Pietro's statement underlines what has long been suspected – the full scale of corruption and personal enrichment in the elaborate system of bribes established by businessmen and politicians has yet to be revealed.

Summing up as public prosecutor in the first corruption case to be tried, he told the court in Milan: "In this case there has been no *pentiti*. Not one [of the 117 people questioned] has come and confessed." The term *pentiti* usually refers to former members of the Mafia who co-operate with justice.

Mr Di Pietro added that in all the the other cases information had only been acquired when people had been confronted with evidence they could not deny. The implication was that the five former party secretaries (including the Socialist Bettino Craxi and Christian Democrat Arnaldo Forlani) called to give evidence plus countless businessmen and intermediaries had been economical with the truth. One witness, Mr Carlo Sama, former chief executive of Ferruzzi-Montedison and married into the Ferruzzi family, was called back on four occasions to have his memory refreshed in court.

"In every case, what was said to have been paid out, does not correspond with what was said to have been received.... In other words if 100 is paid out, only 50 is reportedly received." Here again Mr Di Pietro went further than any other magistrate in suggesting that the court had only heard half the story.

In explaining the system of corruption to the court, Mr Di Pietro said it was vital to appreciate that it had become a sophisticated "engineered" process. The businessmen paying the bribes, like the politicians, dealt through intermediaries, enabling them to say they "knew nothing of the system or had no dealings with it."

Meanwhile in Turin, Mr Berlusconi was being questioned about the granting of permits for the Le Gru shopping development which he opened late last year. Le Gru was developed on a 60/40 basis by the French group Trema with Euromercato, part of Fininvest's Standa stores group. In early March Mr Roger Flamant and Mr Maurice Bansay, respectively chairman and managing director of Trema, were arrested and reportedly admitted paying L2bn (£833,000) in bribes to secure the development.

Yesterday Mr Berlusconi when asked about this after seeing the magistrates, said: "You must understand the Trema group was involved in its first Italian venture at Le Gru and thus had to come to terms with an unknown world."

# González fends off calls to resign

By David White in Madrid

Mr Felipe González, the Spanish prime minister, yesterday fended off calls from the opposition to resign over the alleged financial misconduct of senior officials and promised a crackdown on corruption.

Facing frequent barracking in one of the toughest parliamentary debates of his 11 years in office, Mr González sought to regain control over a turbulent political climate.

He recognised that recent allegations of illicit enrichment by Mr Mariano Rubio, former governor of the Bank of Spain, and Mr Luis Roldán ex-director of the paramilitary Civil Guard, had caused "public revulsion."

He also accepted that he was "directly concerned" by the Rubio case since he had proposed Mr Rubio for the job and defended him when the first allegations about his financial affairs emerged two years ago.

Opening a two-day state-of-the-nation debate he said the government planned to set up a special prosecutor's office to deal with corruption, tighten the country's penal code, increase penalties, strengthen the powers of the Accounts Tribunal and set up a team to defend the interests of the treasury against fraud.

He said it was "imperative to confront these problems and restore society's confidence". The parliament is expected today to approve the setting up of a special committee to investigate the case of the former governor, who on Monday faced questioning from prosecutors over reports that he channelled investment gains into a secret account.

Mr José María Aznar, leader of the Popular party, the main conservative opposition, called on Mr González to resign and nominate a successor. But he said it would be against the country's interests to dissolve parliament and hold fresh elections. Spain's last general election, which produced a minority Socialist government, took place last June.

Mr González listened solemnly as Mr Aznar accused him of "permissiveness" on corruption and attacked his government's record on unemployment. "Things have gone too far," Mr Aznar said.

Rejecting the resignation demand, Mr González said he intended to continue to the end of the four-year electoral mandate. Mr Aznar's call was echoed by Mr Julio Anguita, leader of the Communist United Left party, the third-largest party in parliament. However, Mr González was expected to retain the support of Catalan nationalists, on whom the Socialists rely for a parliamentary majority.

Earlier Mr González told MPs the worst of Spain's economic crisis was over and strongly defended the government's controversial new labour legislation aimed at easing hiring and firing laws.

Worries about political instability have rocked Spanish stock markets over the past two days. Stocks in Madrid yesterday hit their lowest levels this year but later recovered, with the general index *closing 2.8 points* up at 313.6.



# EBRD slimming called into question

By Anthony Robinson in St Petersburg

**The revamped European Bank for Reconstruction and Development received a "unanimous vote of confidence" from its board and a raft of expensive new commitments at the close of its annual meeting, write Anthony Robinson and Chrystia Freeland in St Petersburg. Mr Pedro Solbes, Spain's finance minister, was also appointed chairman of the board.**

**Mr Jacques de Larosière, the bank's president, promised "a robust approach" to cutting costs and "value for money" by co-financing projects aimed at developing private sector banks and businesses. But several governors, including Mr Kenneth Clark, UK chancellor, urged a further cut in costs by reducing the 23-member board which accounts for 12 per cent of the bank's costs. Others called for the appointment of more east European representatives to the senior management structure.**

**The president underlined that financing infrastructure projects remained a key part of the bank's activities despite the elimination of a separate development banking department. The new commitment to operate in all 26 client states, including less devloped areas like Ukraine and central Asia, is expected to increase the demand for infrastructure development to underpin the private sector. The bank will also extend its nuclear safety programme.**

This has been the conference of sweetness and light for the European Bank of Reconstruction and Development as speaker after speaker has praised the bank's new president Mr Jacques de Larosière and staff for re-ordering priorities and re-organising the bank's baroque internal structure.

But close questioning of senior bank staff at the EBRD's annual meeting in St Petersburg this week reveals a less shining picture. There is concern that the cost cutting has left the re-focused institution without the staffing capacity to do the job properly.

Since taking over from Mr Jacques Attali last September the new president has cut costs by 8 per cent. Most savings came from cutting bank staff by 10 per cent to 720 and merging the formerly separate merchant and development banking departments into a unified banking department.

The new department, headed by Mr Ron Freeman, has been strengthened by bringing in an extra 24 per cent professional banking staff who had been employed elsewhere under the old structure.

But the bank is soon to lose Mr Mario Sarcinelli, the former head of development banking who helped set up the new bank and make it operational in record time. After his departure senior bank officials question whether the organisational structure of the reformed bank will be able to keep track and give direction to an institution which operates in 26 disparate countries and has been saddled with a daunting, and ever-growing, variety of complex tasks.

At present there are no plans to replace Mr Sarcinelli, who is due to take over as president of Italy's troubled Banca Nazionale del Lavoro. But senior officials fear that without the appointment of a replacement vice-president to manage the five "southern tier" country teams ranging from Hungary to central Asia, Mr Freeman – a deal-making merchant banker, not a bureaucrat, by nature – will be swamped.

Until now Mr Freeman has concentrated on the "northern tier" countries ranging from the Czech and Slovak republics through Poland and Russia and the Baltic states but including Uzbekistan and Kazakhstan, the two central Asian states most attractive to private foreign investors and hence to the bank's new focus on co-financing private sector deals.

The "northern tier" is where the bulk of the EBRD's deals to date are concentrated, because it includes the fast track reforming central European states and one country, the Czech republic, which enjoys triple-B investment grade status. It thus stands out as the former communist country most able to attract foreign investment on its own account.

"In the Czech republic the market is already sifting out the priorities, leaving the EBRD to co-finance the very large transactions which require additional financing," says Mr Jiri Huebner, the EBRD's Czech and Slovak team leader.

But this is a far cry from countries such as Ukraine and the more obscure central Asian states where foreign investors need the most additional "comfort" from the EBRD and other international financial institutions and where the need for big, long-term infrastructure, energy and environmental projects is greatest.

The southern tier is where the EBRD's development banking skills are most needed and where the bank has been more heavily committed by Mr de Larosière's promise to set up EBRD projects in every post-communist member state. He also promised to bring the bank closer to the grass roots by strengthening the banks presence in the client countries.

As the bank's disbursements and commitments grow in size and complexity the need for a stronger senior level management team in the bank's London headquarters is likely to become more apparent.

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**NEWS:** EUROPE

EUROPEAN NEWS DIGEST

## Strasbourg set for cash crisis

*The European Parliament* is heading for a financial crisis as a result of its decision to bow to French pressure for a new parliament building in Strasbourg, according to an unpublished report by the parliament's secretariat. Draft budget estimates for next year, produced by Mr Enrico Vinci, the parliament's secretary-general, show that the strain of financing the building will help push the parliament's running costs from Ecu692m (£544m) next year to Ecu819m in 1997. The extra costs will increase the parliament's share of the Union's Ecu4bn administrative budget from 17.96 per cent to 20.02 per cent, breaching a 20 per cent limit agreed with the Commission and the Council of Ministers.

The report forecasts that if nothing is done the budget will continue to rise, reaching Ecu874m, or 20.83 per cent of the administrative budget, by 1999. The financial crisis was triggered by a controversial decision last month by the parliament's administrative committee to go ahead with a £300m building to replace its existing chamber and offices in Strasbourg, which are used for one week each month.

The decision, which followed French threats to disrupt the June elections to parliament, follows an earlier controversial decision to replace the parliament's main debating chamber in Brussels. It has been heavily criticised by MEPs from both of the main political groupings, which would prefer to centralise parliament's activities in Brussels. *Kevin Brown, Strasbourg.*

## Bonn plan for energy initiative

*Germany intends to launch a "deregulation initiative" in the* European Union as a top priority of its forthcoming presidency, including action to promote greater competition in national energy markets, Mr Günter Rexrodt, the economics minister, said yesterday. He admitted that he had failed to win enough support within the Bonn coalition for a national law to deregulate the energy market, but would now seek to do the same via Brussels.

*Mr Rexrodt claimed that the government's own deregulation* drive had helped to accelerate planning procedures in Germany and reduce red tape, but planning delays in the chemical industry, for example, were still excessive. He said it took on average 70 months to gain approval for a new chemical plant in Germany, compared with around 20 months in other west European countries. *Quentin Peel, Bonn.*

## Siemens chief in nuclear plea

Western companies and countries should work together to help Russia improve safety standards at its nuclear power stations, Mr Heinrich von Pierer, chairman of Siemens, the German electrical group, (above) said yesterday. "There is no need for any further studies; it's like an alibi for not doing anything," he said. The issue was too important for normal competitive factors to have priority, and he would not be against co-operation with Asea Brown Boveri, Siemens' big European rival in power generating equipment, to modernise Russia's nuclear stations. *Andrew Baxter.*

## Greek tax sparks protests

Greece's socialist government, facing a widening budget deficit, yesterday introduced a 15 per cent tax on earnings from repos – fixed-term repurchase agreements – in a last-minute amendment to fiscal legislation. It includes a controversial 15 per cent tax on dividends from mutual funds' investments in government securities. The measure triggered protests from fund managers because interest on government bonds otherwise remains tax free. With growth in tax revenues running at around 12 per cent for the first quarter, against a target of 22 per cent, the government is trying to boost income from other sources. *Kerin Hope, Athens.*

## EBRD shelves Gdansk project

The European Bank for Reconstruction and Development has suspended its backing for an Ecu68m (£53m) water treatment project in Gdansk after allegations that the local water company was operating on land confiscated from a Jewish family by the Nazis. The bank's decision follows a two-year campaign by Mrs Ewa Szpicberg, a Polish Holocaust survivor, who says the land was owned by her family before the war. *Michael Skapinker.*

ECONOMIC WATCH

## Golf success leaves VW at risk

The Volkswagen Golf/Jetta was the best-selling car in western Europe last year – as in the last 11 years – but the German carmaker remains dangerously dependent on the success of its leading model range as it has no other models in the top 10 best-sellers. General Motors and Ford dominate the list, each having three models in the top 10.

The biggest sales gain was achieved by the Ford Mondeo, which replaced the outdated Sierra early last year. In a year when the overall new car market fell 15 per cent, sales of the Mondeo/Sierra jumped 44 per cent, making the Mondeo the best-selling large family car. The success of the Mondeo is crucial to Ford of Europe, as it seeks to recover from three years of heavy losses. Sales of its other two main model ranges, the Escort and the Fiesta, both plunged last year. *Kevin Done*

**WEST EUROPEAN BEST-SELLING NEW CARS**

| | Volume (Units) | Volume Change(%) | Share (%) 1993 | Share (%) 1992 |
|---|---|---|---|---|
| TOTAL MARKET | 11,424,000 | -15.4 | 100.0 | 100.0 |
| VW Golf/Vento | 794,000 | -8.6 | 6.9 | 6.4 |
| GM Astra* | 629,000 | -6.5 | 5.5 | 5.1 |
| Ford Escort/Orion | 461,000 | -25.0 | 4.0 | 4.6 |
| Ford Fiesta | 451,000 | -23.4 | 3.9 | 4.4 |
| Renault Clio | 444,000 | -25.7 | 3.9 | 4.4 |
| Fiat Uno | 354,000 | -31.0 | 3.1 | 3.8 |
| GM Corsa/Nova* | 338,000 | +11.7 | 3.0 | 2.2 |
| Ford Mondeo/Sierra | 315,000 | +44.4 | 2.8 | 1.6 |
| GM Vectra/Cavalier* | 292,000 | -29.6 | 2.6 | 3.1 |
| Peugeot 106 | 269,000 | +6.6 | 2.4 | 1.9 |

*General Motors: Opel in continental Europe and Vauxhall in the UK.
Source : Automotive Industry Data

■ France's merchandise trade surplus was FFr5.40bn (£630m) in February, according to seasonally adjusted figures released yesterday by the Customs Office. It also reported a revised January surplus, of FFr2.68bn from FFr2.71bn.

■ Unemployment in Sweden fell to 7.8 per cent in March from 8.3 per cent in February, the Central Bureau of Statistics said yesterday.

■ Switzerland's real gross domestic product is expected to rise 1 per cent this year and 1.8 per cent in 1995 according to Basel Economics, a leading Swiss economic think-tank.

# Brussels heads for clash on Orly monopoly

By Gillian Tett in Brussels

France appears to be heading into a new row with Britain and the European Commission following a Commission report which says Air France is abusing its monopoly position at Orly airport, Paris.

The report, after a seven-month investigation, says Air France's refusal to let rival airlines such as TAT operate from Orly on routes to London, Marseilles and Toulouse has broken community law on equal access to air routes.

The European commissioners were due to adopt the report, which demands that France open Orly to rival airlines, yesterday. But with France now lobbying to block the report, indicating it will fight any attempt to force it to open Orly, the commissioners yesterday stepped back from a decision, citing lack of a voting quorum.

The Commission is now expected to adopt the report, next week. If France refuses to comply, the Commission could take the case to the European Court of Justice, which could fine the airline.

With the Commission also embroiled in a row over FFr20bn (£2.34bn) state aid recently provided to Air France, officials admit the issue has left the Commission in an increasingly sensitive political position, reluctant to begin a full-blown fight.

"The French have threatened that they will simply not implement any decision... they have said that they attach as much importance to this as to Gatt," claims one diplomat.

The battle centres over a complaint from TAT, the private French regional airline, which is 49.9 per cent owned by British Airways, that Air France has refused to provide slots at Orly on two routes – the lucrative Paris-London route, where TAT could be a strong rival to Air France, and the southern routes between Orly and Toulouse and Marseilles, currently the third and fourth busiest routes in the European Union, where Air Inter, a subsidiary of Air France, has a monopoly.

The Commission's report has largely accepted these complaints, concluding that "the French authorities... were wrong to refuse and to continue to refuse TAT European Airlines permission to exercise traffic rights on the Paris (Orly)-London route".

The French government denies this breaks EU law, arguing that Orly is saturated, and already allows Greek, Spanish and Portuguese carriers to operate some services from the airport.

Faced with the political sensitivities, some sectors of the commission's legal services are now arguing that the matter should be referred to the European Court of Justice.

Any such "soft" option is likely to provoke a furious response from the British, who have stepped up lobbying in recent weeks, with Mr John MacGregor, UK transport minister, personally pressing Mr Abel Matutes, the outgoing EU transport commissioner, on the matter and seeking support from the British commissioner, Sir Leon Brittan.

# France to increase defence spending

By John Ridding in Paris

*The French government and* President François Mitterrand are today expected to approve a framework defence programme, which calls for about FFr650bn (£76bn) of expenditure between 1995 and 2000.

The spending plan, due to be presented to the National Assembly this month, reflects the French government's commitment to maintaining a strong military as well as a nuclear deterrent despite the ending of the cold war.

In contrast to reduced defence expenditure in much of Europe and the US, the plan involves a real increase of 0.5 per cent each year during the six-year period.

Despite the increased spending, the programme is expected to include delays or cost-cutting measures for several important projects.

Programmes affected are expected to include a delay in the introduction of the long-range M5 nuclear missile, which was due to enter into service in 2005, but which is likely to be pushed back until 2010.

The French government is also expected to seek a 20 per cent cut in the costs of developing the NH-90 transport helicopter and a delay in the delivery of Rafale fighter aircraft to the airforce.

The plan will include a commitment to maintaining France's land-based nuclear deterrent and is expected to give approval for a viability study to determine whether the submarine-based M4/M45 missile can be adapted for terrestrial use.

The government's agreement to study the proposal represents a concession to Mr Mitterrand, a strong supporter of a land-based deterrent, and is expected to smooth approval of the defence package.

The defence programme is also expected to call for cuts in troop levels. Ground forces are likely to be reduced by more than 10,000, from the current level of 240,000, possibly involving the closure of one division.

Despite the reduction in certain programmes and in the level of manpower, the expenditure plan reflects the thinking of a white paper on defence policy published in February.

The white paper spelled out an ambitious defence policy into the next century and dismissed the idea that France could reap a peace dividend following the end of the cold war.

France's 1994 defence equipment budget, which has been set at FFr100.4bn (£11.75bn), is already higher than that of its European allies.

The plan for the period 1995-2000, which will be re-examined in 1997, implies that expenditure will amount to about 3 per cent of gross domestic product, slightly less than the 3.4 per cent currently spent.

Mitterrand: Backing for deterrent

# God – and realpolitik – bring in Buthelezi

## Patti Waldmeir on what lay behind Zulu leader's decision to end his poll boycott

SOUTH AFRICAN ELECTIONS April 26-28

"It's just like a dream. Really like a dream." For years, Anglican Archbishop Desmond Tutu has spoken for the South African nation at great moments in its history, and yesterday was no exception.

Outside the room where South Africa's top political leaders had just signed a last-minute peace deal bringing the Inkatha Freedom party into next week's elections, he was unashamedly moved: "To all of us, it just seemed totally impossible that this would happen. What words can we use except just to say, thank God?"

He might have added that God moves in mysterious ways – and that so does Chief Mangosuthu Buthelezi, Inkatha leader, who yesterday executed a dramatic climbdown on virtually all of his constitutional and political demands and agreed to fight an election at less than a week's notice, despite the huge practical and logistical disadvantages which that imposes on his party.

Inkatha negotiators involved in the talks, which were completed at lightning speed after months of fruitless wrangling, are at a loss to offer a fully coherent explanation for Chief Buthelezi's change of heart. Speaking privately, they cite two factors as central: the role of religion (the chief is a devout Christian, as are the majority of South Africans); and the intervention of a *deus ex machina* in the form of Prof Washington Okumu, the Kenyan mediator who brokered the deal, and who is also deeply religious.

Chief Buthelezi delivered a eulogy to Prof Okumu just before signing the agreement, which will entrench the position of Zulu King Goodwill Zwelithini in the constitution, but in only the vaguest of terms. All other constitutional issues – including Inkatha's demand for federalism – will be left to international mediation only after the election.

Those present at the talks said much of the credit goes to Prof Okumu, a close friend of Chief Buthelezi for more than 20 years (they met at a prayer breakfast in the US) who also knows the other two main protagonists – Mr Nelson Mandela, African National Congress leader, and President F.W. de Klerk – and is a fellow African with a healthy working knowledge of the continent's disaster stories.

"Okumu read him the African future. He told him, you're staring into the abyss," said one participant. Others said it was their shared religion which explains the deal. And Chief Buthelezi himself cited the intervention of God, saying he would not have met Prof Okumu to hear his mediation proposals if the Zulu leader's aircraft returning him to Natal had not been forced to turn back last Friday to Lanseria airport near Johannesburg where the professor was waiting. "It was as though God had prevented me from leaving – as though Jonah had been brought back from the whale," he said.

His advisers give a similar mystical explanation. But there seems a fair chance that shrewder political calculations were also involved.

"Chief Buthelezi was thoroughly receptive when someone came along and offered him a way out," says a participant. "The ground was already fertile for Okumu," he adds, noting that Chief Buthelezi may have come under pressure from King Goodwill to secure his position or lose the king's backing for the boycott.

Prof Okumu was a member of the Forum for the Restoration of Democracy, a coalition of Kenyan opposition parties which led the calls for President Daniel arap Moi to accept a multi-party system.

Chief Buthelezi yesterday outlined a flurry of meetings and phone calls between Prof Okumu and the three protagonists to the conflict which culminated at a "Jesus rally" held in Durban on Sunday to pray for peace in Natal. This was attended by Chief Buthelezi, Mr Jacob Zuma, ANC negotiator, and Mr Danie Schutte, government negotiator, who took the occasion to study a draft of yesterday's accord.

Mr Mandela and the ANC were initially said to be lukewarm about the mediation effort. ANC hardliners – and, strangely enough, some members of the South African government – seemed disappointed by the deal, on the principle that Chief Buthelezi ought to have been crushed rather than accommodated.

"The *coup de grâce* was about to be delivered to Chief Buthelezi," says one of those close to the talks. "Some wish it had been."

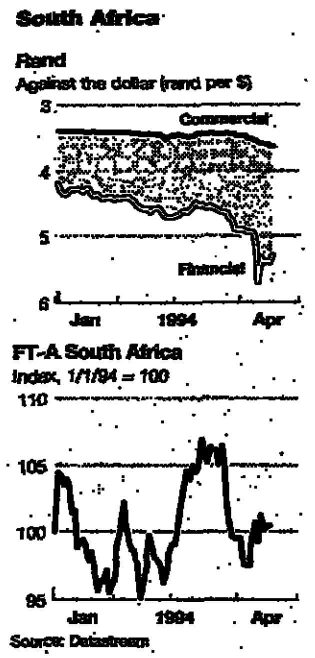
This fact, and the prospect of electoral competition from Chief Buthelezi in Natal, could explain the rather grim faces of most ANC and government negotiators at the victory press conference. Inkatha will certainly take votes away from Mr de Klerk's National party in Natal province which includes Chief Buthelezi's KwaZulu "homeland" – though there is a chance that the two parties could form a post-election pact to deny the ANC control of the province; and the ANC itself will be denied the victory there which an IFP boycott would have guaranteed.

Inkatha will be disadvantaged by its short election campaign, but it could still get 30 per cent or more of the vote in Natal. It is a disciplined organisation which can get its message out rapidly through the system of village chiefs which it controls. And King Goodwill's endorsement of the elections – delivered yesterday – will be heeded by many of his 9m subjects.

The Inkatha leader has, after all, already been campaigning for months: he has been in the news almost daily stoking ethnic loyalty to Inkatha, and this could still pay off.

This may have been Chief Buthelezi's game plan all along: to hold out until the very last moment, cornering as much publicity as possible along the way. If so, it was a strategy which cost at least 500 lives in the past six weeks.

Violence is likely to continue – probably at undiminished levels – throughout the polling and even afterward. Indeed, Archbishop Tutu's dream could still turn to nightmare: Chief Buthelezi could refuse to accept the election result, citing the intimidation which will certainly occur.




# Investor confidence lifts value of financial rand

By Mark Suzman in Johannesburg

The financial rand, South Africa's main barometer of investor sentiment, soared yesterday on news that Chief Mangosuthu Buthelezi's Inkatha Freedom party had decided to participate in next week's election.

The volatile currency, which last week hit a record low of R5.71 to the dollar, rose steadily during the day and closed in London at R4.915, up 43 cents on the day.

The commercial rand, the main trading currency, also shrugged off its recent slide to finish at R3.5575 to the dollar against R3.6605. South African gilts firmed significantly on the news, with long bond yields down 0.25 per cent.

On the stock market, gold shares declined as the gold price weakened on reduced fears of mine disruptions, but industrials finished up 166 points at 5,924. The all-share index at one stage rose 141 points before profit-taking left it 110 points up at 5,080. The day's gains almost completely made up losses suffered last week after the initial failure of talks with Inkatha.

Trading was relatively thin as local institutions held on to their stocks while foreigners were looking for new investments. The combination of the financial rand's rise and stock market strength meant that, in dollar terms, some blue-chip shares saw gains of around 8 per cent on the day. "Everyone's turned buyers again," said Mr Nick Pagdon, director of Smith New Court Securities in London.

"The sentiment's still all politically driven," remarked another broker, "but at least this time the movement is up."

Mr Cedric Savage, president of the South African Chamber of Business, said the move would help create a positive investment climate. However, analysts warned against undue optimism about foreign investment.

## Developing-nation status granted to S Africa on market access

# Pretoria gets economic lift from Europe

By David Gardner in Luxembourg

European Union foreign ministers yesterday agreed in principle to add South Africa to the generalised system of preferences (GSP) under which developing nations are granted virtually tariff-free access to the European market for their manufactured goods.

The move should go ahead soon after South Africa's first universal suffrage elections on April 26-28, when the EU should have finalised its 10-year review of the GSP system, held up until the recent completion of the Uruguay Round of world trade talks.

"This is aimed as a substantial gesture of support for the elections," said an aide to Sir Leon Brittan, EU trade commissioner. "This is what both the government and the African National Congress have been asking us for."

But ministers resisted a British-led move to get the EU to commit itself now to a fully-fledged trade and co-operation agreement with South Africa as the next stage in closer links. France, Spain, Italy and Belgium prefer a more evolutionary approach, and got reference to yesterday's decision as an "interim" agreement struck out of the Council of Ministers' conclusions.

Behind their lukewarm enthusiasm is reluctance to treat South Africa as a developing country, although its relatively high average earnings mask huge income gaps within its population. Nevertheless, all 12 EU states agreed to treat South Africa as a special case.

The EU runs a substantial trade deficit with South Africa, from which it largely imports minerals and precious metals, most of which already enter duty-free. In 1992, the Union had an Ecu3.7bn (£2.84bn) deficit on imports from South Africa worth Ecu9.1bn, over two-thirds of which were raw materials. For the first nine months of last year imports were Ecu6.7bn, against exports to South Africa of Ecu4.1bn, for a deficit of Ecu2.6bn.

Because of the small flows of finished goods that South Africa exports, GSP treatment will at first be of limited benefit, even with, as ministers also agreed in principle, flexible rules on so-called accumulated rules of origin, or treating as South African goods which include components from neighbouring countries.

However, along with recommendations that member states conclude bilateral investment protection and promotion pacts with South Africa, and a request to the European Investment Bank to extend its development financing to the republic, "we are creating the climate for investors to take South Africa more seriously," as a British official put it.

# Japan rethinking use of plutonium in power stations

By William Dawkins in Tokyo

Japan is considering reducing the use of plutonium as a fuel for commercial power stations, the Ministry of International Trade and Industry announced yesterday.

Mr Hiroshi Kumagai, minister responsible for Miti, said "discussion is proceeding in that direction" in a ministry advisory panel on energy, expected to produce an interim report in June and a final opinion by the end of the year. "Discussion so far by the committee seems to be convincing," said Mr Kumagai.

He gave no detail, but Mr Kumagai's statement confirms rumours Japan is having second thoughts about the scope of its controversial billion-yen nuclear recycling programme.

This could help defuse North Korean allegations that Japan is stockpiling plutonium to make nuclear bombs. The Tokyo government has frequently denied having nuclear weapons ambitions, pointing out that this would contravene its own constitution. Yet the North Korean regime frequently cites its nuclear suspicions of Japan as a reason for not divulging full information about its own suspected nuclear weapons programme.

Mr Kumagai's announcement could also make it easier for the Social Democratic party to co-operate with the rest of the government coalition. The socialists are environmentally sensitive and espouse a soft line on North Korea.

Japan's Atomic Energy Commission plans to lift Japan's dependence on nuclear generated electricity from 28.2 per cent of the total now to 40 per cent in the next 20 years.

Until recently, it planned to reach that target partly by using plutonium-fuelled fast breeder reactors, which produce more fuel than they burn.

A prototype fast breeder named Monju, based on the west coast, began a self-sustaining nuclear reaction early this month. For the time being, it uses plutonium supplies from reprocessing plants in France and Britain.

The most recent delivery of French plutonium, halfway round the world to Tokyo by sea, raised an international outcry. On present energy policies, the next delivery will come from British Nuclear Fuel's Thorp reprocessing plant and Cogema's La Hague plant in northern France in three years.

Japan's own reprocessing plant, to extract plutonium from spent fuel from conventional uranium-fed reactors, is due, on present government policies, to come into operation early next century. However, the unexpectedly low price of plutonium on the world market has provided an economic as well as political reason for a rethink on fast breeders.

# Bank loan problem 'over the peak'

By Michiyo Nakamoto in Tokyo

The problem of non-performing loans which has weighed down Japan's banks over the past few years and contributed to economic slowdown is about to peak, the country's central bank governor said yesterday.

Mr Yasushi Mieno, Bank of Japan governor, said that while Japanese banks were still mid-way in their efforts to clear bad debts, the write-offs they have made and a slowing rate of emergence of new loan difficulties indicate that "the bad debt problem is over the peak".

Speaking to the press before a meeting on Sunday of finance ministers and central bankers from the Group of Seven leading industrial countries, Mr Mieno indicated he expected this turning point in bank bad debts to help sustain economic recovery in Japan by making banks more open again to extending loans.

"The experience of US commercial banks shows us that even if the problem of non-performing loans is not completely resolved, when about half of the banks' bad debts have been written off, and they begin to see light at the end of the tunnel, they begin to take a very positive lending stance. We believe Japan's financial institutions will take a similar path," Mr Mieno said.

Mr Mieno pointed out that the amount of bad debts Japanese banks have on their books amounted to Y14,000bn (£91.7bn) at the end of March, or just 3 per cent of their overall loans.

The top 21 banks had annual net earnings of Y3,000bn to Y4,000bn and unrealised income on equity of Y21,000bn.

Mr Mieno's remarks add an encouraging note to recent evidence that Japan's economy may be near to to recovery.

Although he was cautious about whether recent positive indications would lead to inflation-free growth, he noted "the foundations for recovery are being laid".

Mr Mieno said he had no intention of lowering the official discount rate from its historically low level of 1.75 per cent and warned that additional macroeconomic measures might lead to inflation and overheating without solving Japan's persistent current account surplus.

● Japan's benchmark money supply grew 2 per cent in March from the previous year, marking the twelfth consecutive monthly rise, according to a preliminary report from the Bank of Japan. M2 – measuring cash in circulation and demand and time deposits – showed the fastest expansion year-on-year since December 1991.

Israeli Arab women in Rahai, a southern Israeli Bedouin town, take part in annual Land Day protests over land confiscation Reuter

# Israel rounds up Hamas supporters

Israel yesterday rounded up over 200 supporters of the Hamas Islamic resistance movement in the Gaza Strip and West Bank in an effort to curb more bomb attacks threatened by the militant group, which opposes Israeli-Palestinian peace talks, writes Julian Ozanne in Ramallah.

The crackdown has piled intense pressure on the Palestine Liberation Organisation and could derail hopes for an Israeli-*PLO* agreement on *Palestinian self* rule, expected to be signed next week.

Palestinians said soldiers and plain-clothes intelligence agents raided homes across the occupied territories, breaking into houses and putting Hamas sympathisers on to waiting buses. Yesterday's arrests brought the number of Islamists detained since last week to more than 400.

Hamas has carried out two suicide bomb attacks this month, killing 12 Israelis, and has threatened three more attacks to revenge the February 25 Hebron Mosque massacre.

"We will fight those who continue terror with all the means that are available to us," Mr Yitzhak Rabin, Israeli prime minister, said yesterday.

Islamic movement supporters at large yesterday warned the Israeli crackdown would fuel further violence. In Gaza City Dr Omar Farwana, one of those temporarily deported to south Lebanon in 1992, said: "I am afraid instead of peace and peaceful days there will be more revenge because of this mass punishment."

The Hamas issue is becoming a big obstacle in the peace process. The PLO, which claims to speak for the entire Palestinian nation and is afraid of the power of Hamas in the occupied territories, has increasingly been forced to defend Hamas. This week two senior PLO negotiators left peace talks in Cairo after Israel refused to accede to *PLO* demands for release of Hamas prisoners. Israel is deeply concerned by any PLO-Hamas link and Mr Rabin has warned the PLO that local PLO-Hamas co-operation agreements could sabotage the peace accord.

"The recent Hamas attacks are directed equally at Israel and at the PLO to remind the PLO Hamas has substantial power on the ground which cannot be ignored by the PLO leadership," said Mr Ziad Abu-Amr, a Palestinian specialist in Islamic fundamentalism.

# Watanabe drops bid to be PM

By William Dawkins

Japan's opposition Liberal Democratic party averted a break-up yesterday when Mr Michio Watanabe, a veteran faction leader, formally dropped his bid to be prime minister.

Mr Watanabe cited policy differences with the ruling coalition as the reason for his decision to drop plans to defect and run for the leadership.

The LDP will now follow normal party practice and propose its president, Mr Yohei Kono, as prime ministerial candidate. He is nearly certain to lose against Mr Tsutomu Hata, the foreign minister, in a parliamentary vote in the next few days.

Senior coalition officials yesterday continued to inch towards agreement on a joint policy platform, required before the formation of a new government.

By yesterday evening, they had settled almost all the points on a 10-point policy plan, with the exception of a proposal backed by the Japan Renewal party, which dominates coalition policy, to increase indirect taxes.

The Social Democratic party, the coalition's largest partner, wants to avoid a firm commitment on raising sales tax, for fear of alienating its diminishing electoral support.

Little argument is expected, by contrast, over the line-up of the new cabinet. Mr Hata said yesterday he wants few changes in the present cabinet, to allow incumbent ministers to defend this year's budget as it passes through parliament. Only two jobs are likely to be vacant, those of foreign minister and of chief cabinet secretary – the government's spokesman.

Parliamentary officials said they were working on the assumption that there would be a coalition accord on tax in time for a parliamentary vote on the leadership this week.

# ADB tightens lending policies

By Alexander Nicoll, Asia Editor

The Asian Development Bank has tightened its lending policies in order to overcome resistance from shareholders, particularly the US, to a capital increase.

The Manila-based institution says in its annual report, published today, that it will seek through "appropriate portfolio diversification" to reduce the present concentration of loans among a few borrowers.

The ADB, which has admitted to an "approval culture" under which the emphasis was on meeting annual lending targets, says it will strengthen country risk assessment, taking into account both the risks of individual countries and the concentration of loans.

It also details explicit policies on delinquent loans. If any payment is overdue by 60 days, no new loan to the borrower's country will be signed. After a further 30 days, all disbursements to that country will be suspended. The bank will be more rigorous about making provisions for loan losses.

The toughening was carried out as part of talks on the bank's capital needs, with the US calling for big changes to lending policies. Consensus on doubling capital from the present $23bn was recently reached by shareholders after Washington softened its resistance.

The bank, which is running up against lending limits and has three new members among the former Soviet central Asian republics, will hope to clinch agreement at its annual meeting in Nice next month.

Indonesia accounts for $8.26bn, or 33.6 per cent of outstanding loans made out of the bank's ordinary capital resources. India, the Philippines, China and Pakistan account for a further 53.6 per cent between them.

Only 13 countries have loans outstanding, of which one is South Korea as it pays off old loans, and three – Burma, Nepal and Bangladesh – account for 0.01 per cent or less of total lending. The four economic "tigers" of southeast Asia – Taiwan, South Korea, Hong Kong and Singapore – have become too rich to qualify for new loans.

Uncertainty over the bank's capital and policies contributed to a slowing in loan growth last year. Approvals of loans from ordinary capital resources rose only 0.7 per cent to $3.98bn, but concessional loans from the Asian Development Fund rose 12.3 per cent to $1.3bn, mainly because of resumption of lending to Vietnam as the US lifted its embargo on business.

Concessional financing is also quite concentrated. Of 25 countries with ADF loans outstanding, Pakistan accounts for $4.2bn, or 30 per cent, Bangladesh 28 per cent and Sri Lanka 10 per cent. India and China are not eligible because other international development institutions are supposed to meet their needs, since their size would mean them taking a very large proportion of ADB concessional resources.

Asia will need to spend up to $950bn (£646bn) on infrastructure by the year 2000 to meet the demand created by rapid economic growth and growing populations, the Asian Development Bank estimates today, writes Alexander Nicoll.

The bank's annual report says developing member countries – virtually all Asian countries except Japan and North Korea – put 5 per cent of their gross domestic product each year into physical infrastructure. This "will have to rise by another 2 per cent over the next decade if supply is to keep pace with demand," it says.

It estimates the needs of the power and transport sectors at $300bn to $350bn each, telecommunications at $150bn and water supply and sanitation at $80bn to $100bn.

The ADB says this cannot be financed from traditional sources so it suggests wider application of user charges, tighter commercial discipline on utilities, and greater private sector involvement.

# Factories attacked in Indonesia

Protesters ran riot through factories yesterday in Medan, north-western Indonesia's industrial centre, tearing apart a doll-clothes factory and wrecking cars in the sixth day of labour-related protests, Reuter reports from Medan.

Labour activists said two of their leaders had been arrested and branches across the country were warned against launching sympathy strikes. "Many of our branch leaders were approached by soldiers making threats and frightening them into not taking part in action, particularly in the Jakarta area," said one unionist at the independent Indonesia Labour Welfare Union (SBSI).

Several factories in Tanjung Morawa, near Medan, were badly damaged by youths. Citra Sandang Graha, a doll-clothes factory, was gutted while a motorcycle spare parts manufacturer was also damaged. Elsewhere cars were destroyed.

## Australian miners ordered to work

More than a third of the 20,000 Australian coal-miners who went on strike yesterday have been ordered back to work by the Coal Industry Tribunal. The order followed applications by the Queensland Mining Council and Powercol, a New South Wales-based producer, writes Nikki Tait in Sydney.

Separately, Peabody Resources, which is owned by Britain's Hanson group, asked the Australian Industrial Relations Commission to allow it to pursue a damages claim against the miners' union.

## Bond hearing on bankruptcy

Mr Alan Bond, former Australian tycoon, yesterday abandoned a request for a hearing into his mental fitness, and agreed to appear at a bankruptcy examination next month, writes Nikki Tait.

On Mr Bond's admission to a private hospital in Perth in February, a psychiatric report said he was suffering from depression, and would be put on Prozac, the anti-depressant drug. But yesterday Mr Michael Barnett, Mr Bond's lawyer, told the Federal Court in Sydney Mr Bond did not want to air intimate details on his mental health in public, or subject family and friends to scrutiny on the subject.

## Kigali shelled

Rwandan troops shelled Kigali's refugee-packed national stadium yesterday, killing nine, and the United Nations evacuated some of its forces without a ceasefire in sight, Reuter reports from Kigali.

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NEWS: THE AMERICAS

# US backs fund for green jobs in Third World

By Nancy Dunne in Washington

The Clinton administration is to provide $50m (£34m) in guarantees for a $70m fund to direct private capital to environmental businesses working in developing countries. This is the first of a series of business-related initiatives for Earth Week.

The guarantees will be issued by the US Overseas Private Investment Corporation for medium-term notes to be placed by J P Morgan, the investment bank. The fund will be managed by Global Environmental Emerging Markets Fund, a limited partnership, which has raised $20m more.

Mrs Ruth Harkin, Opic president, said the fund could eventually make loans totalling some $500m-$700m. It is a prime example of the kind of "public-private" initiatives the administration will support to develop new technologies and boost exports. It requires private sector companies also to put their own money at risk.

The environmental fund is the fifth private equity fund Opic has supported. Two more region-specific funds are to be announced and more are in the pipeline.

Mr H Jeffrey Leonard, president of Global Environment Management Corporation, said the growth areas for trade in environmental technology were clean water and clean energy. "Rapidly industrialising countries in Asia, Latin America and eastern Europe need to increase dramatically the production of electricity to maintain economic growth."

The US Commerce Department is for the first time taking a big role in Earth Week activities, which are taking place globally this week and are aimed at focusing attention on environmental issues. It yesterday briefed journalists on its work to develop a "green GDP", a statistical analysis of the environment as it relates to the economy.

# Nixon in hospital after serious stroke

By Jurek Martin in Washington

Former President Richard Nixon was reported to be in stable condition in a New York hospital yesterday after suffering a serious stroke at his New Jersey home while preparing for dinner on Monday evening.

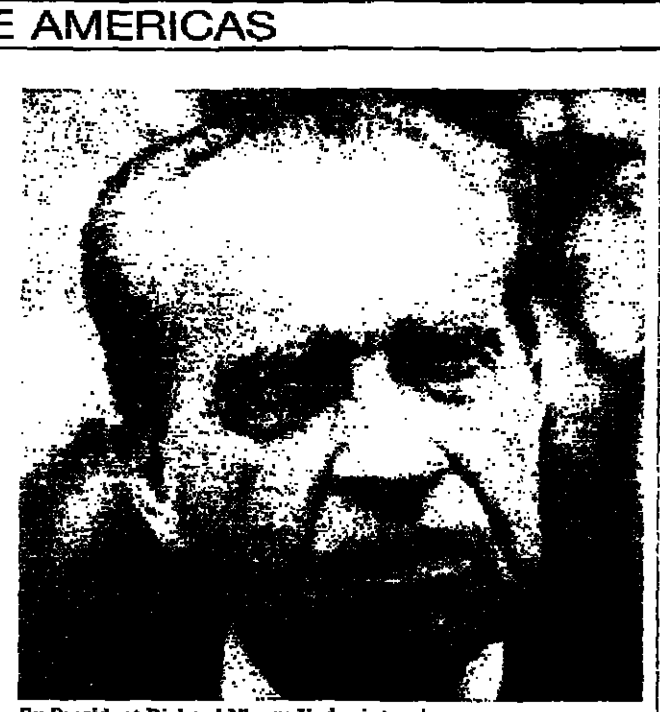
Doctors reported that he was conscious and alert, but unable to speak and under intensive care. They promised a clearer public prognosis within 24 hours. His wife, Pat Nixon, died last year.

Mr Nixon, now 81, left office in August 1974 ahead of expected impeachment proceedings because of the Watergate scandals, becoming the only one of the 42 US presidents forced to resign. He was elected in 1968, narrowly beating Vice-President Hubert Humphrey, and in a 1972 landslide over Senator George McGovern.

He has spent much of the last 20 years seeking to recover from that disgrace, writing several books, mostly on foreign policy, and speaking and travelling extensively. He was in Moscow last month, but a planned meeting with Mr Boris Yeltsin was cancelled after the Russian president expressed annoyance that Mr Nixon had met opposition leaders.

There are five living US ex-presidents, an unusually high number. Mr George Bush is living in Texas and Maine, keeping a mostly low profile, as is Mr Ronald Reagan in California. Mr Gerald Ford spends much time playing golf.

Mr Jimmy Carter, the only Democrat among them, has remained active in public life, through his domestic projects building low-income housing and his international mediation.



Ex-President Richard Nixon: Under intensive care Associated Press

# Chile to take healthcare medicine

**David Pilling** on reforms to provide a service the country feels it deserves

When an economist, not a physician, was named as Chile's health minister, it seemed that the "profound health reforms" promised by the new administration might be more than just words.

Last week the new minister, Mr Carlos Massad, took the first tentative steps in making good that pledge by setting efficiency targets, introducing a new system of budget allocation and making decentralisation a priority.

Like many Latin American health ministers, Mr Massad faces the challenge of rebuilding a service that was grossly underfunded throughout the 1980s.

Furthermore, he must deal with the problems of regulating competing private and public services and of satisfying pent-up demand for more sophisticated treatment.

"Because Chile started earlier with deregulation, market imperfections in the health sector have developed earlier," says Mr Jorge Katz of the UN's Economic Commission for Latin America and the Caribbean. "Chile heralds some of the problems to come in Latin America generally."

Those problems are plain to see. Chile's creaking health sector is associated by the public with bad service, strikes, outmoded technology and long waiting lists.

Dr Julio Montt Vidal, director of Santiago's Calvo Mackenna paediatric hospital, does not believe things are so bad. He points out that Chile, which spends less than 6 per cent of gross domestic product on health, has achieved a life expectancy index of 72 and an infant mortality rate of 17 per thousand. In the US – which spends more than 10 times as much per person – results are only marginally better at 76 and 9 respectively.

## 'Our crisis is one of rising expectations'

Dr Montt argues that present difficulties relate to rising expectations. "Our crisis is one of success. We've already solved most of our basic problems."

But satisfying those expectations has not proved easy. Resources have gone largely to restoring salaries and repairing crumbling hospitals. "It has had hardly any noticeable effect because there was so much to do," says Dr Francisco Peragallo, medical director at Santiago's Salvador Hospital.

Mr Massad has promised to generate new funds by cracking down on non-payment of personal contributions to the public health system. By the end of 1994, he expects 60 per cent of outstanding payments to be cleared up.

The public sector is only part of his problem. In Chile, as in much of Latin America, the 1980s saw the growth of private health provision as the public system deteriorated. Nearly a quarter of Chileans now have private health insurance and ultra-modern clinics have sprung up to compete with often dilapidated state hospitals. But critics say private health insurers (Isapres) are being unfairly subsidised by the state.

First, many Isapre affiliates (who usually have to pay a percentage of hospital fees) opt for state hospitals when they need expensive treatment and cannot afford their share of private fees. In effect, they are defrauding the state system to which they do not contribute.

Mr Massad has promised to tighten up on such cases through better record-keeping. "An Isapre affiliate who receives public attention cannot be identified as such... which results in a cross-subsidy in which the poorest subsidise the most well-to-do."

But closing loopholes does not address the fundamental problem that millions of Chileans, not rich enough for adequate private coverage yet not content with declining state provision, are falling between two stools.

Second, Isapre premiums are prohibitively expensive for most old people or those with chronic diseases. "Between 25 and 40, people are good business. But after 45 or 50 years of age the treatment of disease inevitably becomes more expensive," says Dr Montt.

"The old and sick abandon the private system and re-incorporate themselves into the public sector even though their earnings during their most productive years have gone into private hands. That is unjust," he says. He believes Isapres should be obliged to introduce additional insurance coverage for severe illness and old age.

## 'We need to reform our way of thinking'

Another concern is costs, boosted by higher wages and stricter laws on pharmaceutical patents which reduce local pirating of expensive drugs. Mr Katz says prices have also escalated because of a rise in unnecessary treatment. "A large proportion of increased expenditure has gone into higher profits, not better healthcare," he says.

Dr Juan Giaconi, professor of public health at the Catholic University, says costs can be reduced and efficiency raised by greater decentralisation, allowing hospitals to diagnose problems and seek their own solutions.

Mr Massad has indeed created a management support division of the Health Ministry with the express purpose of facilitating decentralisation. "To decentralise one has to help institutions to improve their ability to manage themselves," he says.

The announcements last week are merely a first step in reforming not only institutions but "some of our ways of thinking as well", Mr Massad says. Over the next months, he will begin to tackle the more complex problems of making health provision more responsive to patient demands, as well as regulating against soaring costs and cross-subsidies.

Chile is a fast-growing economy with pretensions to leave the "underdeveloped" world and its population wants a health service to match. Mr Massad will need all his economic acumen if he is to meet such high expectations.

# Mexico bank chief begs to be ransomed

By Damian Fraser in Mexico City

The kidnapped president of Banamex-Accival, Mexico's largest financial institution, has begged his business partners to pay the required ransom as soon as possible.

In a letter sent to the Mexican press, Mr Alfredo Harp Helú asked Banamex directors to arrange a credit to pay the ransom demand, reported to be $50m (£34m). He urged his partners not to use professional advisers in negotiations on the ransom, and promised to repay loans made on his behalf.

"Why do you not respond? What is the point of keeping me in this situation? Why prolong my captivity further? Sadly I realise the idea prevails that my life is not in danger and that I am under pressure to write, which is not true," the letter said.

"The idea of being executed worries me terribly when I have the wealth to guarantee payment of the ransom."

Mr Harp, whose fortune is estimated at about $1bn, was kidnapped on March 14. The letter is the second from him that has been given to the press. Last week, the kidnappers threatened to kill Mr Harp unless the ransom was paid.

He is understood to have been insured by Banamex against kidnapping. The insurance company is reported to have hired US specialists to carry out negotiations. In an earlier communication, the kidnappers had rejected an insurance company's offer of ransom as insufficient.

The kidnapping had sent Mexico's stock market plunging and contributed to concern the country's close-knit financial community. In a separate letter, Mr Harp said the only motive for his kidnapping was financial.

# More US spy cases loom, says CIA chief

Mr James Woolsey, director of the Central Intelligence Agency, said yesterday more cases of Americans selling secrets to foreign agents were about to unfold, Reuter reports from Washington.

He told NBC's Today Show that the CIA was not the only agency penetrated by the Soviet Union and cases were being made against present and former officials based on information obtained from abroad after the collapse of communism.

CIA official Mr Aldrich Ames has been charged with being a Soviet "mole" in the CIA and blamed for the deaths of US secret agents in Russia. He and his Colombian-born wife, Rosario, are awaiting trial on espionage charges.

Mr Woolsey said there were similar cases in the works and indicated that Mr Ames had yet to co-operate with government investigators, despite reports that he is willing to help if the government promises leniency for his wife.

"As communism collapsed in East Germany and in the Soviet Union as well as in eastern Europe and other countries, the CIA has come across a good deal of counter-intelligence information," Mr Woolsey said. "We have shared this as appropriate with law enforcement agencies in the US," he said.

"People should not have the impression that the Aldrich Ames case is the only counter-intelligence case," he added. Even if Mr Ames refuses to tell the full story of his alleged involvement with the Soviet Union in return for cash, Mr Woolsey said, US investigators will be able to find out what happened.

NEWS: WORLD TRADE

# Slow advance by poorest countries

By Frances Williams in Geneva

The world's poorest countries notched up average output growth of 2 per cent last year, up from 0.4 per cent in 1992 but still not enough to stem the decline in income per head.

The United Nations Conference on Trade and Development, in its latest report* on the least-developed countries, published today, predicts economic expansion of 2.8 per cent this year, "assuming normal weather". That would slightly outpace population growth.

Despite the dismal overall picture, Unctad notes that about a quarter of the 47 UN-defined LDCs show welcome, if halting, signs of progress – a revival of growth, deepening economic reform and better governance (improved management and less corruption).

Most of these nations are in Asia, where output of LDCs grew by 4.7 per cent in 1993. Similar growth is expected this year. Asian LDCs have benefited from the general economic dynamism of the region, though some African nations have also performed better than the LDC average.

Overall, however, African LDCs showed little or no growth in 1993, after three consecutive years of GDP decline. Unctad predicts another year of stagnation in 1994.

Many African nations have been ravaged by war which has halted development. The continent's predominantly agrarian economies have also been hit by poor weather, including drought.

Unctad notes that falling output per head has taken a terrible toll via reduced calorie intakes, increased mortality and sickness, lower school enrolment and further immiseration of women and children, society's weakest members.

Most LDCs have responded with further policy reforms, but the extra financial support from donor nations needed to underpin those reforms, has not been adequate, the report says. More vigorous debt relief measures are also needed.

Unctad is particularly concerned that many cash-strapped countries have been unable to improve or even maintain basic health and education services essential for development. These services, free to users, must be a priority for LDCs and aid donors, the report says.

*Unctad, The least developed countries: 1993-1994 report; UN Sales No. E.94.II.D.4; on general sale or from UN Sales Sections, New York and Geneva.

# Rolls-Royce names distributor for China

By Our Beijing Staff

Rolls-Royce Motor Cars this week stepped up its assault on China's growing luxury car market with the appointment of Inchcape, the UK marketing and services group, as its exclusive distributor in China.

At a lavish signing ceremony held on the Great Wall, 70km north of Beijing, Inchcape announced it would establish a series of regional dealerships in southern China, before expanding to Shanghai and Beijing. A new company, named Rolls-Royce Motor Cars of China, will be formed to help build sales, service and parts facilities – complete with training centres to train its service staff.

More than 60 Rolls-Royce cars have been sold in the Chinese market since 1992, including 30 units in 1993 and 11 in the first quarter of this year. Customers consist of private entrepreneurs, large joint venture companies and five-star hotels.

# Concern at Japan surplus crosses Pacific

Asia now surpasses the US on the wrong side of that trade balance, writes **Paul Abrahams**

Japan has become used to its troublesome trade surplus causing ructions. For the most part the complaints have come from the other side of the Pacific. But the latest set of figures released this week look set to cause concern closer to home: last year, for the first time, Japan's trade surplus with the rest of Asia surpassed that with the US. It grew 25.1 per cent during the year ending March 31 to reach $55.95bn, compared with a surplus with the US of $51.14bn.

The headline figure was heavily influenced by the 12.2 per cent appreciation of the yen against both the dollar and the Asian currencies pegged to the US currency. Even so, in yen terms the surplus rose 8.5 per cent.

A 16 per cent increase in Japanese exports to Asia, which reached $139bn, was mostly responsible. Exports to Singapore and Malaysia grew by 24 per cent each while those to the Philippines expanded 30 per cent.

China was the fastest-growing export market, up 42 per cent to $18bn. Officially, Japan ran a $3.48bn trade deficit with China last year, but the published figures exclude trade via Hong Kong with which Japan had a $20.9bn surplus.

Mr Jiro Saito, Japan's vice finance minister, said the increase in Japanese exports was partly caused by Asia's rapid economic growth. Certainly, Asia's continuing economic growth is dragging in Japanese finished products. Exports of Japanese electrical machinery to Asia were up 24 per cent at $39.5bn last year, while exports of vehicles increased 18 per cent to $15.2bn.

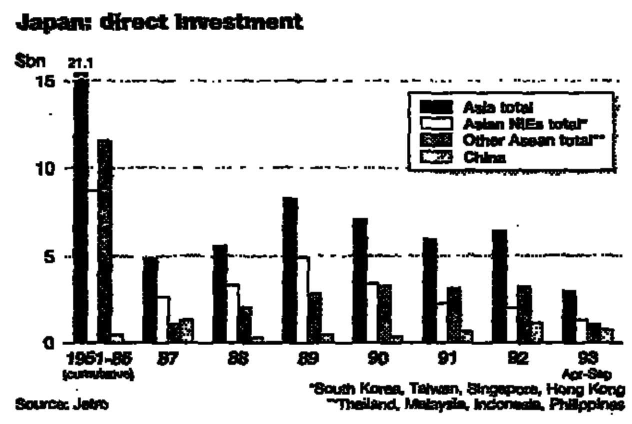
China and the countries in the Association of South East Asian Nations were particularly important export markets for Japanese vehicle manufacturers. Exports rose 48 per cent and 29 per cent respectively.

Mr Saito said the growth of the surplus with Asia had also been generated by Japanese companies' rapid expansion in the region. Motivated by the appreciating yen and high domestic manufacturing costs, Japanese groups invested increasing amounts in production overseas in the late 1980s. According to the Japan external trade organisation (Jetro), Japanese direct investment in Asia increased from $4.87bn in 1987 to $8.26bn two years later.

These new Japanese-owned factories, which have recently started full production, are now having a significant impact on trade flows. The reason is that most assemble products using imported Japanese components.

A recently published study by Jetro showed that in 1992 only 17 of the 114 responding Japanese companies operating in Singapore used eight or more local sub-contractors. Exports of Japanese integrated circuits to the newly industrialised Asian nations increased 30 per cent last year, while those to the Asean countries rose 64 per cent.

"Ultimately we want to use local components," said Sanyo, the Japanese electrical and electronics group which has recently built a video recorder factory in Malaysia, a battery plant in Singapore, and a home refrigeration plant in Indonesia. "It makes us more flexible and helps us respond to market needs. But in the first few years that's difficult. It takes time to build up local suppliers."




This wave of investment, principally in newly-industrialised countries such as South Korea and Taiwan, and in Asean nations such as Thailand and Malaysia, has peaked. Japanese companies are now turning their eyes to China. Direct investment collapsed after the Tiananmen square massacre in June 1989, but from a low of $296m in 1988, Japanese investment reached $1.07bn in 1992. More Japanese money was put into China between April and September in 1993 – the last period for which figures are available – than into any other Asian country.

The investments cover a wide variety of sectors. Honda, the automotive group has announced four investments in China worth more than $77m since 1992. In the last year, Sanyo, which already had 10 plants in China, has built three new factories capable of making commercial refrigeration units, compact disc player components and non-CFC refrigerating chemicals. Matsushita, the electronics group, is building a Y10bn ($65.8m) plant to manufacture 1.5m video recorder units.

Economists believe that in the longer term Japan's surplus with Asia should decline as its domestic economy recovers and pulls in imports. The problem of Japanese component exports to overseas plants should also become less acute as they increasingly use local parts. But in the short term that will do little to pacify the critics.

The Japanese government looks as though it will have to become used to reproaches from both sides of the Pacific for some time.

# South Korea and UK sign power agreement

By Michael Smith

The nuclear power companies for South Korea and for England and Wales yesterday sealed agreement for a significant exchange of information, expertise and staff.

The agreement comes ahead of a virtual tripling by Korea of its nuclear power capacity to about 20,000MW by the year 2006. Nuclear Electric, which generates a quarter of England and Wales's electricity, hopes for a significant involvement in this expansion.

Its chances of significantly increasing its UK output are restricted by a moratorium on nuclear power construction in the UK. Although it is pressing to build Sizewell C, a nuclear station on the Suffolk coast, its ability to do so depends on a forthcoming government review of the nuclear industry.

Nuclear Electric is already part of a consortium with Westinghouse hoping to build a power station of the Sizewell C design in Taiwan.

Details of how yesterday's agreement between Nuclear Electric and Korea Electric Power Corporation will work are still being discussed.

However co-operation is likely to be by exchange of documents, by staff secondments and by an annual conference.


Chong-Bun Rieh of Korea Electric Power Corporation (left) and Bob Hawley of Nuclear Electric signing the agreement

# Competitive China predicted

By Frances Williams in Geneva

International business leaders believe China will rank among the world's four most competitive economies in the year 2010, alongside those of the US, Japan and Germany.

This is according to the Swiss-based International Institute for Management Development and the World Economic Forum.

Selected results of its survey of 1,747 top executives around the world, published today, show that the US and Japan are expected to head the competitiveness league table early in the next century.

Germany is the only European nation among the predicted high performers, with China followed by two other Asian nations, South Korea and Singapore.

The full results of the survey will be published in September as part of the IMD/WEF annual World Competitiveness Report.

Business leaders regard the US and Japanese governments as most active in promoting competitiveness, followed by those of Singapore. In Europe, Germany and Switzerland are seen as having governments most supportive of business.

Asked where they would ideally choose to live and work, nearly half the executives put the US in their top three, regardless of where they lived when responding. East Asians favoured Australia, while Europeans were more attracted by Switzerland, France or Britain.

# Singapore may build Vietnam zone

By Alexander Nicoll, Asia Editor

Singapore may build an industrial park in Vietnam, along the lines of those it already has under way in China and India, Mr Goh Chok Tong, Singaporean prime minister, said yesterday.

He told a business conference in London that Vietnam wanted Singapore to build a zone similar to, but smaller than, the industrial township which it is constructing at Suzhou in China's Jiangsu province. But Mr Goh said Vietnam would have to offer domestic market access to companies which set up plants in such a zone.

Singapore plans to invest as much as 30 per cent of its reserves in Asia, under its policy of developing an "external wing" to its economy. Most of its efforts are going to develope industrial parks in China, India and Indonesia, and market them to foreign companies as an efficient way to participate in Asia's rapid growth.

# TV chief urges ownership liberalisation

By Raymond Snoddy

Mr Michael Green, one of the most powerful men in British television, last night called for further consolidation in Independent Television (ITV) and a liberalisation of cross-media ownership rules.

In his first public speech on the industry, Mr Green, chairman and chief executive of Carlton Communications which owns Carlton and Central, the two largest ITV franchises, said recent ITV mergers were a first and essential step toward a partnership of business and broadcasting.

"I make no apology for arguing that consolidation in ITV must continue and that companies must be allowed to grow naturally within the normal boundaries of competition law," he said in the Fleming Memorial Lecture at the Royal Institution in London.

He said he did not know whether there would ever be a one-company ITV system but there should be a clear division of responsibility between programme regulation and the rules on media ownership.

Ownership issues should be left to the Monopolies and Mergers Commission and market share should be the yardstick, he said. The development of global media markets meant the game was up for the government's "old nursery approach to media ownership, whereby our Whitehall nanny placed each of us in our neatly fenced playpen."

Mr Green now runs a television services business which is capitalised at more than £2bn.

"If the government is serious about wanting British companies to compete globally in the media industry, then yesterday is not too soon to liberate the restrictions upon media ownership," he argued.

It may be unrealistic to suppose that any government was going to compel Mr Rupert Murdoch's News International to divest itself of any of its existing newspaper or satellite interests, he said, "but at least allow the rest of us to compete on that famous level playing field."

He said successive British governments had "conceded News International a scale of influence and reach which they have consistently denied to anyone else."

He hoped the government would soon accept that "all mainstream broadcasters" should honour the quota requiring 51 per cent of programmes to be of European origin.

Mr Green, who is also chairman of Independent Television News, emphasised that ITV had just a few years to rationalise to face growing competition. "So television now needs business skills as well as creative skills. There is no longer any protective cushion, no certainty of funding, no insurance against misjudgment."

A healthy ITV was essential to the British production industry and last year invested a total of £670m in UK produced programmes for the network and its regional services.

# Major under fire for Normandy plans

## Philip Stephens on the row over commemoration of the landings

Mr John Major saw an opportunity to raise the nation's battered morale. Senior Conservative party colleagues anticipated some useful political dividends just before critical elections to the European Parliament.

Instead, the British government's plans to mark the 50th anniversary in early June of the Normandy landings have become embroiled in damaging controversy.

The beleaguered Mr Major has discovered that nothing is so sensitive as past military victories. So far he has lost more political points than he had hoped to gain from the planned celebration of the Allied invasion in France.

No-one is objecting to the planned gathering of western leaders on the Normandy beaches on June 6th. Mr Major will join the Queen, President Bill Clinton, President François Mitterrand and other allied leaders to commemorate what Winston Churchill called the beginning of the end of the Second World War.

Nor is there any controversy over the parallel ceremonies on the English south coast from which hundreds of thousands of allied troops embarked on Operation Overlord in June 1944. Britain, a country which has still to come to terms with its relative post-war decline, enjoys remembering a more glorious past.

What has angered veterans' organisations and provoked opposition charges of political opportunism is the government's attempt to combine such acts of commemoration with a nationwide celebration.

A leading public relations company, Lowe Bell Communications, has been paid £60,000 by the government to promote a nationwide programme of community nostalgia.

A street party marks V-E day 1945 - a scene which has become a romantic symbol of national celebration ever since Picture: Hulton Deutsch

Neighbourhood street parties, children's competitions, the printing of ration books and other events to recreate the mood of the war years are all being encouraged by the government to coincide with the formal military occasions.

Tabloid newspapers, brewers and other businesses have jumped on the bandwagon. There is money to be made from evoking the past.

The prime minister's case is that such events will encourage the young to participate in the celebrations. It will remind post-war parents of the debt owed to a previous generation while for schoolchildren it will bring alive the pages in their history books.

But Mr Major appears to have misjudged the mood of organisations which represent the soldiers who fought and died at Normandy. If the invasion was the most visible turning point in the defeat of Hitler's Germany it was not without massive human cost. Some 37,000 soldiers died liberating Normandy. Another 210,000 were wounded.

Leaders of veterans' organisations argue that the planned events will trivialise the anniversary. They have pressed for a period of solemn commemoration and thanksgiving rather than one of celebration.

Mr Eddie Hannah, general secretary of the Normandy Veterans' Association, summed up the mood yesterday. "We will not be celebrating, we'll be on a pilgrimage to honour the lads who died – that's a commemoration.".

Senior officials in the Royal British Legion echoed the sentiment, arguing that next year – the 50th anniversary of the allied victory – would be a much more appropriate time for the carnival atmosphere Mr Major plans for June. The same message has been conveyed by scores of veterans in radio phone-in programmes up and down the country.

For its part the opposition Labour party has accused the government of trying to exploit the anniversary to create a spirit of nationalism – and support for the government – days before the June 9th European elections. The Conservatives' performance in that poll may well decide whether Mr Major survives as prime minister.

Mr Major has begun to retreat, stressing that the government's plans will not detract from the solemnity of the anniversary. But he has learnt again that there is no such thing as a free vote for his embattled government.

# Parties celebrate England's past times

By Jim Kelly

The street party, complete with bunting and trestle tables, is a rare English cultural event which is getting rarer.

The last nationwide example of popular street celebration was the Royal Wedding of 1981 – the end of the Falklands War in 1982 failed to generate mass celebration.

The original D-Day also passed without a party – although VE (Victory in Europe) Day was marked by dancing and singing in the streets amid an outpouring of genuine emotion.

The element of spontaneous celebration has become ever more strained with time. Dr Peter Hennessy of the University of London says of the government's plans for D-Day: "I think in this case it is contrived."

Dr Hennessy, author of Never Again, a study of British post-war social history, believes increasing affluence and the passing of the "treat phenomenon" has destroyed part of the culture which produced the street party. The prospect of jellies, orange juice, and a community sing-along no longer excites.

Dr Andrew Davies, of the University of Liverpool, a specialist in urban culture, says street parties fell broadly into three groups - those celebrating national events, an early example being the relief of Mafeking in 1900, those celebrating royal events, and those for local events.

While Dr Davies agrees the phenomenon has declined, he did find spontaneous street parties in Liverpool to mark the all-Merseyside FA Cup Final of 1989. "My guess is that they have declined since the slum-clearance programmes of the post-war era."

# Britain in brief

## $5m film tops US box office ratings

A low-budget British film that cost $5m to make and was shot in 36 days has gone to the number one slot in the US cinema box office ratings.

Four Weddings and a Funeral, a romantic comedy produced by Mr Tim Bevan and Mr Eric Fellner is the first British film to reach the number one spot in the US since A Fish Called Wanda in 1988.

The picture was wholly funded by Polygram and Channel 4 and is being distributed by Gramercy, Polygram's distribution company in the US. It has already grossed $14m across 721 screens. Next week its coverage expands to 900 cinema screens.

## Chemical sector prefers own data

The Chemicals Industry Association has abandoned official government statistics on investment in favour of its own surveys. Its estimate of chemicals industry capital spending in 1993, published yesterday, is more than 10 per cent lower than that from the government's Central Statistical Office. In 1992, the CIA adopted the CSO figures only to find them later revised down.

## Daewoo ups Antrim output

Daewoo, which manufactures video recorders at Antrim in Northern Ireland, is to invest £17m to increase output by 30 per cent by 1996, creating 250 jobs by the end of next year.

## Executives in strong demand

Demand for executives has sharpened markedly, according to the latest quarterly survey by MSL, the recruitment consultant. Executive job vacancies advertised in quality national newspapers rose by 30 per cent in the first three months of 1994, says the survey, which is published today.

## Coming up for glare

Drivers on the Piccadilly Line of the London Underground have been issued with Ray-Ban sunglasses in a £20,000 scheme. If the 277 drivers on the line like the £90 shades, they could be introduced for all 2,000 drivers on the network to cut down on glare from sunlight, when coming out of tunnels or running overground, and improve vision of signals.

## Boost for PIA watchdog

The personal investment authority, the new watchdog to protect the private investor, received a boost with the announcement that Equitable Life has applied to join.

But Mr Roy Ranson, Equitable's managing director, made it clear that the life insurer still had reservations about the new regulator.

At a time when some life companies, banks and others have not yet decided whether to sign up to the PIA, the expression of support from a company seen as having a good record on compliance will be valuable to the authority. The PIA has received about 2,350 applications so far, out of a total potential membership of around 6,000.

## CSO promises better data

The UK's Central Statistical Office, the government agency which collects and publishes British economic and social data, yesterday revealed its long-term plans to help it "provide a more responsive, more comprehensive, better quality and more user friendly service".

This is the first time the CSO has produced such a plan, which it is required to do since it became a decentralised executive agency in November 1991.

## Ozone risk 'rising'

Levels of low-level ozone are rising steadily, bringing a risk of breathing problems and damage to crops and buildings, according to a government report published yesterday.

Measures to curb low-level ozone, much of which is produced by cars, may not be enough to enable the UK to meet international air quality targets for the year 2000, the report argues.

## Warning on construction

The construction industry will never return to the peak levels of output and employment seen in 1989, warned Sir Brian Hill, director-general of the Building Employers Confederation yesterday.

Speaking as the confederation published its latest quarterly survey on work prospects in the industry, Sir Brian said that in spite of further evidence of a recovery, the pick-up was proving painfully slow.

## Post-bombing centre for City

A disaster recovery centre allowing banks and investment banks to continue financial trading operations with only a brief break if the City of London is bombed was unveiled yesterday by Syntegra, the systems integration arm of BT.

The £15m recovery centre, which has 500 trading positions, will be able to start operations within an hour if trading operations of banks are interrupted by incidents similar to the Bishopsgate bomb detonated by the IRA a year ago.

Merrill Lynch, the US investment bank, disclosed that it would be the first client of the centre. It said that the decision followed a contingency exercise it undertook after the Bishopsgate bombing. The centre, which can operate independently for ten days, will also act as a back-up in case of electricity or telecommunications breakdowns in the City.

# UK lead in genetics 'needs more funding'

By Clive Cookson, Science Editor

Britain's leading international position in human genetics must be reinforced through more public and private investment, a government advisory committee said yesterday.

The Committee on Human Genome Research expressed concern about the likely impact of National Health Service reorganisation – both on gathering family information for mapping genetic diseases and on providing genetic screening for patients.

"There is increasing difficulty in obtaining information and samples from extended families, as hospitals and GP fund-holders become concerned to identify and restrict activities which fall outside their contractual obligations," the committee's report said.

Professor Malcolm Ferguson-Smith of Cambridge University, a committee member, said the planned abolition of regional health authorities, combined with the NHS's new purchaser-provider arrangements, threatened the research and screening services carried out at Britain's 14 regional genetics centres.

The centres would need new funding to expand screening as scientists produced new genetic tests – for example to discover women's susceptibility to breast cancer.

The report also identified "an urgent need to investigate the ways in which the setting up of venture capital funded companies for gene discovery can be facilitated... One possible way is to provide financial incentives for the setting up of small biotechnology companies."

*The Human Genome Mapping Project in the UK, HMSO, £9.95.*

# CBI leader attacks EU social legislation

By Ian Hamilton Fazey, Northern Correspondent

The Confederation of British Industry plans to develop a Europe-wide business agenda to unite EU business leaders in resisting intrusive social legislation, Mr Howard Davies, CBI director-general said last night.

In a strong attack on "ill-conceived", "disappointing", and "risible" policies in Brussels and among EU member governments, Mr Davies told the annual dinner of Yorkshire and Humberside regional CBI in Sheffield that EU legislation on social policy was being brought into disrepute.

It was time for the European business community to act in its common interest and force politicians to take notice. The CBI, the employers organisation, will publish its business agenda next month.

Mr Davies said recent "disappointing developments" in Europe included:

- EU member government discussions of a white paper on growth, competitiveness and employment by Mr Jacques Delors, the European Commission president, were focusing on new social policy initiatives running counter to the document's original themes.
- A green paper on social policy, had focused on ways of increasing the cost of employing labour instead of how to get Europe's 20m jobless back to work.
- The EU and the Council of Ministers had failed to prevent a proliferation of state aid for steel, telecommunications, energy and air travel. Competitive British companies were at a disadvantage, notably in Germany, Italy and Spain as far as steel was concerned.
- The EU had consistently failed to get to grips with its own spending. Auditors produced "dismal catalogues of fraud and waste", yet the commission took little interest.

Mr Davies said all large European employers opposed the European Works Council Directive – discussed yesterday by the Council of Ministers – because it would cut across existing, satisfactory consultation arrangements, impose new administrative burdens, push up costs and slow down decision-making.

Britain was not obliged to follow it because of its opt-out from the Maastricht social chapter, but 90 UK companies would be affected in mainland Europe and the EU was funding a trades union campaign to persuade non-affected companies to follow the directive voluntarily.

# Greece scuppers child work opt-out

By David Gardner in Luxembourg

An unexpected switch of position by Greece, which currently holds the EU presidency, has for the time being robbed the UK of its opt-out from a Euro-law limiting the hours children can work.

Britain last November secured a controversial four-year exemption to allow children under 15, such as paper boys, to work more than 12 hours a week – a six-year breathing space including the two years allowed to pass the directive into national law.

Since then the International Labour Organisation has complained that Britain's special treatment flouts international conventions on child labour, and the European Parliament voted heavily to take the UK derogation out of the directive.

The European Commission accepted the Parliament's amendment, so that, under EU voting procedures, only a unanimous vote of the 12 labour and employment ministers yesterday could safeguard the British exemption. Countries which remain unhappy with the package were expected to abstain.

But then Greece, without any warning, announced it would vote for the Parliament's amendment. The directive will come back to the next Social Affairs Council in June, but the controversy surrounding the provisions for Britain looks set to intensify.

Greece's change of heart – in effect scuppering the meeting it was chairing – appeared to stem from annoyance with Britain for supporting German objections to the EU's fourth poverty programme, an Ecu122m programme to help the estimated 52m Union citizens earning less than half the average income of their countries. Germany said that under the doctrine of subsidiarity this was now a matter for national governments. The UK, which has no objection of principle, supported Bonn.

Despite this expression of solidarity, the gulf between Britain and its partners on social policy gaped anew when the 11 forged ahead with the first measure to be taken under the Maastricht Social Chapter, from which the UK has an opt-out, a directive setting up elected works councils in large trans-European companies.

# Major pressed to shake up cabinet

By Philip Stephens, Political Editor

Mr John Major is being pressed by close colleagues to respond to the government's expected heavy defeat in the European elections with the most radical cabinet shake-up of his premiership.

Senior Conservatives believe that a reshuffle which could see the departure of up to five cabinet and many more junior ministers might also mark the return of at least one of the political heavyweights of the 1980s.

Lord Walker and Lord Howe, two of the longest serving ministers in Lady Thatcher's cabinets, are being canvassed as potential candidates for the party chairmanship and the leadership of the House of Lords. Senior party officials have also floated the possibility that the department of employment could be scrapped to make room at the cabinet table for Sir Norman Fowler's eventual replacement as chairman of the Conservative party.

Whitehall officials last night strongly rejected the idea but the party insiders said the employment department's responsibilities could be split three ways between trade and industry, education and social security.

No firm decisions have been taken about the timing of the reshuffle beyond a decision by Mr Major to reject the idea of announcing the changes before the June 9 European elections.

Some insiders believe the shake-up should follow within days of the June poll.

Others are arguing it should be delayed until July to avoid charges that Mr Major had been "panicked" into making hasty changes. But the intensity of informal discussions in 10 Downing Street points to a far more radical shake-up than has hitherto been anticipated. There are plans also to strengthen the prime minister's team of personal political advisers. Aides want Mr Major to replace Mr Graham Bright, his parliamentary private secretary.

The prime minister is being warned the reshuffle will be crucial to maintaining his authority during the expected onslaught on his leadership after the June poll.

Graham Kentfield, chief cashier of the Bank of England - whose signature appears on all the Bank's notes - carrying an illustration of the new £50 note which is issued today. The note shows a portrait of Sir John Houblon, the first governor of the Bank of England

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## PUBLIC NOTICES



## PERSONAL



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| ½ hour period ending | Provisional Prices for trading on 20.04.94: Pool purchase price £/MWh | Final Prices for trading on 19.04.94: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 11.17 | 10.89 | 10.89 |
| 0100 | 10.95 | 15.61 | 15.61 |
| 0130 | 13.40 | 15.63 | 15.63 |
| 0200 | 18.42 | 15.63 | 15.63 |
| 0230 | 16.42 | 10.97 | 10.97 |
| 0300 | 16.42 | 15.61 | 15.61 |
| 0330 | 18.42 | 15.61 | 15.61 |
| 0400 | 16.11 | 10.89 | 10.89 |
| 0430 | 11.90 | 10.82 | 10.82 |
| 0500 | 11.86 | 10.82 | 10.82 |
| 0530 | 11.80 | 10.82 | 10.82 |
| 0600 | 11.80 | 10.89 | 10.89 |
| 0630 | 12.72 | 10.83 | 10.83 |
| 0700 | 18.82 | 15.63 | 15.63 |
| 0730 | 21.41 | 15.71 | 15.71 |
| 0800 | 28.74 | 14.93 | 17.40 |
| 0830 | 41.70 | 15.11 | 17.87 |
| 0900 | 42.22 | 15.11 | 17.88 |
| 0930 | 41.93 | 16.45 | 19.02 |
| 1000 | 35.46 | 16.45 | 19.02 |
| 1030 | 32.36 | 16.46 | 19.02 |
| 1100 | 32.29 | 16.45 | 19.01 |
| 1130 | 32.40 | 16.45 | 19.02 |
| 1200 | 32.46 | 16.04 | 18.61 |
| 1230 | 32.21 | 16.48 | 19.02 |
| 1300 | 28.59 | 16.45 | 19.02 |
| 1330 | 24.72 | 16.03 | 18.59 |
| 1400 | 23.61 | 15.11 | 17.67 |
| 1430 | 23.98 | 15.11 | 17.67 |
| 1500 | 23.37 | 15.11 | 17.67 |
| 1530 | 23.37 | 15.11 | 17.67 |
| 1600 | 23.43 | 15.11 | 17.67 |
| 1630 | 25.43 | 16.45 | 19.01 |
| 1700 | 47.33 | 16.04 | 18.60 |
| 1730 | 47.24 | 16.45 | 19.01 |
| 1800 | 33.88 | 16.45 | 19.01 |
| 1830 | 24.83 | 15.12 | 17.69 |
| 1900 | 24.92 | 16.09 | 18.67 |
| 1930 | 20.69 | 16.51 | 19.08 |
| 2000 | 12.72 | 16.50 | 19.06 |
| 2030 | 20.70 | 16.45 | 19.01 |
| 2100 | 36.39 | 16.44 | 19.00 |
| 2130 | 36.39 | 15.11 | 17.67 |
| 2200 | 35.39 | 15.71 | 15.71 |
| 2230 | 30.77 | 15.66 | 15.65 |
| 2300 | 18.27 | 15.61 | 15.61 |
| 2330 | 12.70 | 10.89 | 10.89 |
| 2400 | 11.70 | 10.80 | 10.80 |

... is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456762 between 8:00am and 5:15pm Monday to Friday.
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# PEOPLE

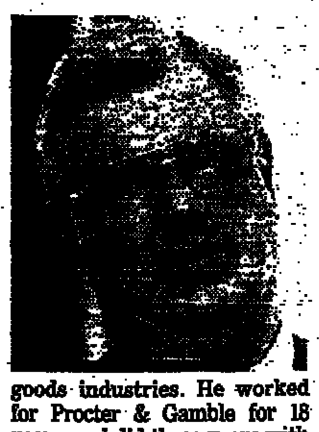
## Another flotation for Allen?

Leon Allen, a US businessman who led the successful £230m management buy-out of Del Monte Foods International in 1990, has been appointed chairman of the British Printing Company.

Allen, 54, is chairman of Devro International, the sausage-skin-maker which came to the stock market last year. His arrival at BPC, which used to be known as BPCC before its 1989 management buy-out from the late Robert Maxwell's business empire, is another sign that Britain's largest commercial printer may also be considering a flotation.

BPC, which employs 5,300 staff and has annual sales of over £300m, has been without a chairman for more than six months. Brian Garraway, a former deputy chairman of BAT Industries, died last September only a few months after taking up the post.

Allen (right) has spent most of his career in the consumer



goods industries. He worked for Procter & Gamble for 18 years, and did three years with The Clorox Company before joining R.J.R. Nabisco in 1982. He came to the attention of City investors following the Del Monte MBO. In little more than two years he reshaped the business, improved the earnings and sold it to South Africa's Royal Corporation for £370m in 1992.

Although he is a well regarded manager, his time as a company chairman has not been without controversy. Shortly before Devro, a £108m management buy-out from a US healthcare group, came to the stock market, it was forced to cancel plans to appoint an outsider as a chief executive following institutional pressure. As a result Devro had to pay out £390,000 compensation to the unsuccessful candidate. Allen, who was appointed non-executive chairman of Devro in February 1993, received a £200,000 bonus for presiding over the company's flotation in June 1993.

■ Michael Howell, managing director of D.H. Greaves, and Declan Salter, managing director of Watmoughs Ltd, are to join the board of Watmoughs (Holdings), the Bradford-based printer, on May 1. Russell Allan, chairman of D.H. Greaves, and a director of Watmoughs (Holdings) retires at the end of the month.

## Ralfe joins Anglo board

Gary Ralfe, who headed the negotiations which drew the former Soviet Union formally into the world's diamond cartel, has joined the board of the Anglo American Corporation of South Africa. He became managing director of the Central Selling Organisation, the London-based business through which De Beers controls about 80 per cent of the world's trade in rough (uncut) diamonds in January.

Ralfe, 49, was born in South Africa and joined Anglo American in 1966. He was appointed a director of De Beers, Anglo's sister group, in March 1990.

That was the year he signed a $5bn, five-year contract with the former Soviet Union, which gave the CSO exclusive marketing rights to most of the Soviet rough diamond production. At the same time De Beers advanced a $1bn loan to the Soviet Union and moved some diamond stocks from Moscow to London as collateral. Ralfe has been at the forefront of subsequent negotiations – successful so far – to keep the deal in place following the break-up of the Soviet Union.

Anglo has also appointed Nap Mayer, managing director of its gold and uranium division, an alternate director.

■ Vice-admiral Sir Peter Woodhead has been appointed as the UK's first prisons ombudsman. Sir Peter was Deputy Supreme Allied Commander in the Atlantic until the end of last year and will take up his new post when he retires from the Royal Navy later this month.

Sir Peter will act as an independent complaints adjudicator for prisoners, with unfettered access to prison service documents, establishments and individuals. He will make recommendations to the Prison Service and, where necessary, the Home Secretary on individual cases and will publish an annual report. He will establish an office with a support staff of 12.

## Patrick McTighe

Patrick McTighe, chairman of C.I. Group, the Wolverhampton-based engineering company, died on Sunday after a recent illness.

McTighe, who was 65, had been a board member for four years at C.I. Group, which makes industrial steel flooring and other products, and chairman for the past two and a half years.

He was known mainly for his long association with Davy, the engineering contractor. After joining Herbert Morris in 1970, he became a director of Davy Corporation in 1977, and later chairman and chief executive of Davy Engineering Industries before becoming deputy chief executive and, in 1990, chief executive of Davy Corporation. A year later, he was instrumental in the takeover of Davy by Trafalgar House.

C.I. Group says McTighe had been very active in planning its strategic direction. In recent months the board had been seeking a new non-executive director as chairman elect, and a further announcement will be made soon.

■ Clive Jones, managing director of London News Network which provides regional news and sports programmes for both Carlton Television and LWT, has been appointed managing director of Central Independent television.

Jones, 45, will be responsible for a range of Central activities including Central Productions, the facilities operation The Television House, and the regional transmission and programme division, Central Broadcasting.

He replaces Andy Allan, who is now chief executive of Carlton UK Television.

## Finance moves

■ Jeremy Allen, Cindy Baker, Mark Canelle, Wayne Gerry, Stephen Hammond, Nick Hammond, Nick Hawkins, Tim Hirst, Lord Robin Innes Ker, Keith Jouning, Simon Marshall-Lockyer, Norrie Morrison, Kevin Phillips, Richard Warr, John Willis and Ed Wright have been appointed directors of KLEINWORT BENSON Securities. Fergus Keating has been appointed finance director and Nicholas Turner a director of Kleinwort Benson Gilts. Andrew Cameron, Adrian Cowell, Alex Forrester, Tim Horlick, Michael Keeley, Michael Khougaz, Philip Lambert, Robert Lewin, Kieran Murphy, Nigel Spray, John St John, David Treacher, Tim Wise, Michael Griffin, Andy Hattam, Dennis McNamara, Alan Piper, Tristram Sutton, and John Gearing have been appointed directors of Kleinwort Benson Ltd. Jill Boggiss, Juliet Cohn, Simon Fenton, Joanna James, Brian Keeble and Susan Yates have been appointed directors of Kleinwort Benson Investment Management.

■ Philip Nash has been appointed md of PAINEWEBBER International Asset Management; he moves from Capital House Investment Management.

■ John Morris has been appointed general manager – group finance at LEEDS PERMANENT Building Society; he moves from KPMG Peat Marwick.

■ Mike Thoms has been appointed head of debt financial products and md of Baring Sterling Bonds and to the board of BARING BROTHERS & Co; he moves from Bankers Trust.

■ Arnie Iversen, md of WOODCHESTER CREDIT LYONNAIS in the UK, has also become md of Woodchester Credit Lyonnais Bank in Ireland.

■ Colin Matthews and Michael Pearce have been appointed directors of LONRHO Finance.

■ Jeremy Newman and John Watson have been appointed directors of TILNEY & Co.

■ José Manuel Alves Elias da Costa, a former secretary of state for finance in Portugal, has been appointed a senior adviser in Portugal for MORGAN STANLEY.

■ Christine Hayes has been appointed director of group credit management at TSB GROUP.



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# MANAGEMENT

## MCA tips growth

The UK's top management consultancies have a recruitment headache, according to the body that represents them.

Commenting on the latest quarterly survey of business trends conducted by the Management Consultancies Association, executive director Brian O'Rorke says its members are having difficulty attracting "individuals of the right calibre".

He adds: "With fee rates tight consultancies are finding it difficult to persuade suitably qualified managers to leave their existing employment."

O'Rorke's warning - which he says could affect the ability of consultancies to react to client demands - comes on top of encouraging figures from the MCA, whose 34 members collectively account for more than 50 per cent of fee-earning management consultancy work in the UK. Earnings in the first quarter of 1994 were 3.8 per cent higher at £235m than in the previous three months. It is the sixth quarter running that has shown growth and the second in succession marked by a significant increase.

"The trend in order books is very pleasing," says MCA president Keith Burgess. "I continue to expect growth in the consultancy industry to outstrip growth in GDP, which is forecast at 2.5 per cent year-on-year in coming years."

While MCA members are cautious of short-term growth prospects, nearly 80 per cent expect increased volumes of new orders during the next six months. They also expect increased activity in most industry sectors during this period, with financial services offering the best prospects.

Work in the construction/property, manufacturing and overseas sectors is described as "ponderous", but most sectors are expected to experience a "slight improvement". Retailing is also singled out and the MCA says "some major re-engineering projects are under way".

**Tim Dickson**

## Sugar daddy

### In a second article on ownership, **Christopher Lorenz** examines Nestlé's acquisition of Rowntree

Pic York

New manager David Harris: though from Britain, he is very much a Nestlé man

An unprecedented event occurred at Easter in the cathedral city of York, in northern England. The managing director's seat in what for 90 years was the proud headquarters of Rowntree, Britain's biggest maker of chocolate and other confectionery, was taken for the first time by a manager from Swiss-based Nestlé.

The man in question, David Harris, is a Briton. But he is very much a "Nestlé man": he has 30 years of experience with the group as a marketing expert in its coffee, milk and drinks businesses.

The multinational acquired Rowntree six years ago this spring after a battle over the latter's loss of British nationality. Given the continued sensitivities among the 4,500 employees at York - most of whom were loyal Rowntree people - and the watchfulness of many outsiders over the commitments made by Nestlé during the 1988 bid battle, one might have expected a fuss over the appointment.

Not a bit of it. Even Neil Moore, the chief representative for unionised office staff at York, who regrets the gradual removal of various aspects of managerial decision-making to Nestlé's Swiss and UK headquarters, says he has "no strong feelings". One former Rowntree director fears that York is "being moved towards branch factory status", but he declines to be named.

Behind this general equanimity lie three factors. First, Nestlé, an old hand at acquisitions, has handled the integration of Rowntree with even more than its customary care. Whereas some predators assimilate acquisitions within months, Nestlé usually takes two or three years to start the process in earnest. With Rowntree, it waited for four.

Second, York has emerged, in several respects, as a significant force within the giant multinational. This is in spite of the fact that not all of Nestlé's commitments have been kept: some have proved impracticable with time.

The biggest casualty was the plan to run Nestlé's global confectionery strategy from York, not Switzerland. This had to be dropped two years ago, partly because of the amount of travel involved, and also because the strategy unit became subsumed within a far-reaching reorganisation of Nestlé's entire corporate HQ, which was designed to make the group faster-moving. This involved co-locating at head office all but one of its product divisions: its mineral water interests, including Perrier, are based in Paris.

The most visible aspect of Nestlé's commitment to York - its largest factory complex - has been its capital investment of £120m made there since the takeover. This is far more than Rowntree could have afforded on its own in so short a time. Part of this investment, such as a newly-opened £28m KitKat plant, has expanded capacity and helped double Nestlé Rowntree's total exports from its seven UK plants to £150m. This has pushed its export ratio from 15 per cent in 1988 to 25 per cent last year.

Other parts of the investment have boosted labour productivity. For instance, a heavily automated £7m plant, opened in 1993, has helped cut the labour required for Aero bar production by almost a quarter, to 165 people.

Though some office jobs have also gone, higher factory productivity is the main factor behind a fall in the total Nestlé Rowntree labour force at York - from almost 6,000 at the takeover to its current 4,500. Of these, 3,300 are production workers.

Former Rowntree managers argue that this fall cannot be attributed to foreign ownership: it is the continuation of a productivity drive which the UK company began in the late 1970s. Without Nestlé's extra sales outlets around the world, the fall could have been steeper still.

Arguably even more important than York's production role is that Nestlé has retained the site as what Graham Millar, Harris's Rowntree-schooled predecessor, calls "an intellectual resources centre".

At a cost of more than £6.5m above the £3.5m which Rowntree had already committed, the original UK R&D operation has doubled in size to 80 highly skilled people, and become Nestlé's leading worldwide research centre for confectionery. This involved closing Rowntree's former research and development centre in France, and slimming Nestlé's in Switzerland. A quarter of the York centre's staff now come from outside the UK, and this proportion is expected to rise to a third.

York has also become a specialist support services centre for the whole of Nestlé UK, providing consumer relations, information technology, and quality and scientific services. This has involved moving jobs north from Nestlé UK's head office in south London almost as quickly - but not quite - as Rowntree's former corporate functions (finance, pensions, legal and communications) have gone south.

The third reason why the appointment of Harris has drawn so little internal comment goes to the heart of why the takeover has been successful. In the words of trade unionist Moore, "it's two-way traffic. We can't complain about Nestlé people coming in, because we've had Rowntree people going the other way. Six years on, that's inevitable."

From the start, Nestlé took care not merely to leave Rowntree people in charge of the UK management - Harris is the first very senior exception - but also to move them into senior jobs elsewhere within Nestlé. So far more than 30 have won jobs outside the UK, half at corporate HQ, in both its divisional and geographic organisation. They include the head of the confectionery strategic business unit, which replaced the York-led strategy group.

In the UK, the two most senior ex-Rowntree managers are Peter Schroeder, head of the York research centre, and Peter Blackburn, who since 1992 has been executive chairman of Nestlé UK. Schroeder says: "Rowntree integrated into Nestlé with enthusiasm partly because the Rowntree managers were left in charge. In one sense it was easy: Nestlé had neglected its chocolate business and wanted Rowntree to bring it into the modern world."

He remembers meeting one Nestlé chocolate manager who said: "Ah, you're from Rowntree - it's you who took us over."

"Some Nestlé people would say that we've had a very good deal indeed," says Blackburn - and not because he has been an obvious beneficiary. The two-way traffic that is now affecting York flows from this; Blackburn says he intends to foster it in order to develop a "one-company" culture. After any merger or acquisition, he says, this does not emerge "unless you really do mix people up".

*The series concludes next week.*

## Little knowledge goes a long way

### Cancer of the prostate need not be a killer, writes **Carol Cooper**

HEALTH CHECK

Earlier this year, 13-year-old Andrew Steele from Wales died from cancer of the bladder and prostate. His death is a grim reminder that no male should consider himself immune from waterworks trouble.

The prostate, a gland about the size and shape of a chestnut, lies deep in the pelvis just below the bladder. Because it surrounds the urethra, it has the potential to block the flow of urine completely. Like the breast and womb, the prostate is under hormonal control; unlike them, the prostate enlarges throughout adult life, and most men give it little thought until it starts causing trouble.

Benign enlargement (known as benign prostatic hypertrophy, or BPH) affects about one in three men over 50 and gradually causes outflow obstruction. Even then, many are remarkably tolerant of symptoms such as trouble starting to pass water, trouble stopping, reduced stream, urgency and changed frequency, all of which can be extreme. Eventually, pressure on the system may damage the kidneys. Since BPH is curable, prompt action is better than waiting until life is dominated by the location of the nearest toilet, or until total blockage forces admission to hospital.

Many men regard plumbing problems as an inevitable part of ageing, and some are reticent about discussing intimate symptoms.

While drugs such as alpha-blockers and finasteride can relieve early symptoms of BPH, the principal treatment for prostate disease is surgery. The two main operations are transurethral resection (done without incision through the tip of the penis) and open prostatectomy (which needs an incision above the pelvic bone).

After surgery, sperm will flow the wrong way so sterility can be expected. Impotence is unlikely, though it can happen if delicate nerve bundles are destroyed during the operation.

Newer therapies for BPH include cryotherapy, laser treatment, microwave therapy and balloon dilatation, but these have yet to be evaluated fully.

Malignant disease of the prostate is surprisingly common. The second most common cancer in men, it kills around 8,000 a year in Britain - or four times as many victims as cancer of the cervix. The cause is unknown, but it is rare under the age of 40. The incidence increases with age, so that about 40 per cent of men over 65 are found to have cancer of the prostate at post-mortem.

It can also be an incidental finding during life. Studies show that up to 10 per cent of prostates removed during an operation turn out to be malignant when examined under a microscope. In fact, the disease can only be positively diagnosed by laboratory examination, though there can be strong clues. For instance, it is possible to pick up some small tumours from a blood test and some larger ones from rectal examination. Both procedures are essential when assessing prostate symptoms, but they could also be used to screen the rest of the population for cancer of the prostate.

The British Prostate Group of surgeons believes this cancer to be one of the most treatable if spotted early, and that lives could be saved by screening. Others point out that prostate cancer is often slow-growing, or even dormant - according to one adage, men die with it rather than from it. They say there is no point picking up cancers if they are virtually harmless.

Studies are under way in the UK and in the US to clarify the issue, since there is no firm evidence that lives would be saved by universal screening. Less contentious is the point that many men would benefit from being more aware of their prostate before it starts running and ruining their lives.

*The author is a London general practitioner.*

# BUSINESS AND THE ENVIRONMENT

*WORLDWIDE WASTE*

## Strapped for cash in Hungary

### Green issues are taking a back seat, reports Nicholas Denton

At Hungary's Dorog Incinerator there is more embarrassment in the air than fumes from the chimney. "Actually, the furnace is idle today," confesses Gyorgyne Otrok, managing director of the plant. "We're short on waste."

Something is awry. While four decades of communist economic management produced many shortages, industrial rubbish was not one of them. And the waste incinerator, majority owned by France's Sarp Industries and located in an industrial town northwest of Budapest, is advanced for Hungary, and for eastern Europe for that matter.

Hungary produces about 2m-2.6m tonnes a year of hazardous material, the government estimates, and deals with just 40 per cent of that. "The treatment of the rest, more than a half of the total, has remained unsolved right up to the present day," a government report admits.

It is not for lack of public and political awareness of environmental issues. Protests over a barrage on the river Danube helped bring down the country's former communist regime, and built environmental consciousness into the post-communist political system.

Nor is it for lack of regulation. Hungary introduced an environmental law as far back as 1976 and has modelled its policy on Germany. Limits on emissions from incinerators, for instance, are said to be the third toughest in the world.

But tough rules have minimal effect. In 1991 the government decreed that companies could store on the premises up to one year's worth of hazardous waste. Dorog Incinerator expected a glut of refuse but it did not come. "The regulation is a dead letter. It's only if someone has a conscience that they abide by it," says Otrok.

One weak link is enforcement. About 1,000 employees at the county and national supervisory authorities cover a country of 10m inhabitants, a lower proportion than in western Europe. "They constantly complain they have too much work," says Denes Olessak, the leading official for environmental protection at the industry ministry.

A vital ingredient is also missing: cash. Investment in environmental protection has fallen from 1 per cent of GDP in 1987 to about 0.6 per cent at the latest count and the corporate sector accounts for all of the fall.

Hungary's economy has shrunk by over a fifth since 1990, most state companies live financially from day to day, and they pay salaries and the electricity bill before they send toxic waste to be burnt at Dorog. "Many companies sign contracts so they have some paper to show the supervisors when they come round to do a check," says Otrok. "But when it comes to carting over the waste they tell us they have no money."

Often refuse just piles up on site. And when Hungarian companies face the problem they often do so on the cheap. They are aided by the market economy, which has thrown up a variety of environmental entrepreneurs. Some, even Dorog Incinerator admits, are decent. Others undercut by cutting corners. One company offered "biological treatment" which involved no more than airing the contaminated soil.

Nor are manufacturers the only impoverished, and delinquent, polluters. Municipalities are often worse offenders. The industry ministry reckons that a mere 5 per cent of Hungary's 2,700 landfills meet official standards. Budapest, the capital, will run out of landfill capacity within two years on current trends.

Central government is in no position to help. Hungary's budget deficit will rise to an estimated Ft330bn (£2.2bn) this year, about 8.5 per cent of GDP. State spending on environmental projects has risen gently in real terms but Olessak concludes: "The aim is to do as many projects as possible with outside help."

Much western aid has flowed back into the pockets of western consultants. Olessak opens a cupboard in his office to show a whole library of western reports. "They don't tell me anything I didn't know 10 years ago," he says. "What we really need is funding for concrete projects."

That, belatedly, is coming. The Swiss government has given a grant of SFr4.4m (£2.1m) to modernise two Hungarian metal galvanisation plants and expand their waste processing capacity. Japan has provided a $100m (£68.4m) official credit to finance the environmental rehabilitation of Varpalota in western Hungary, which has the misfortune to host a particularly polluting combination of aluminium, chemical and paper factories.

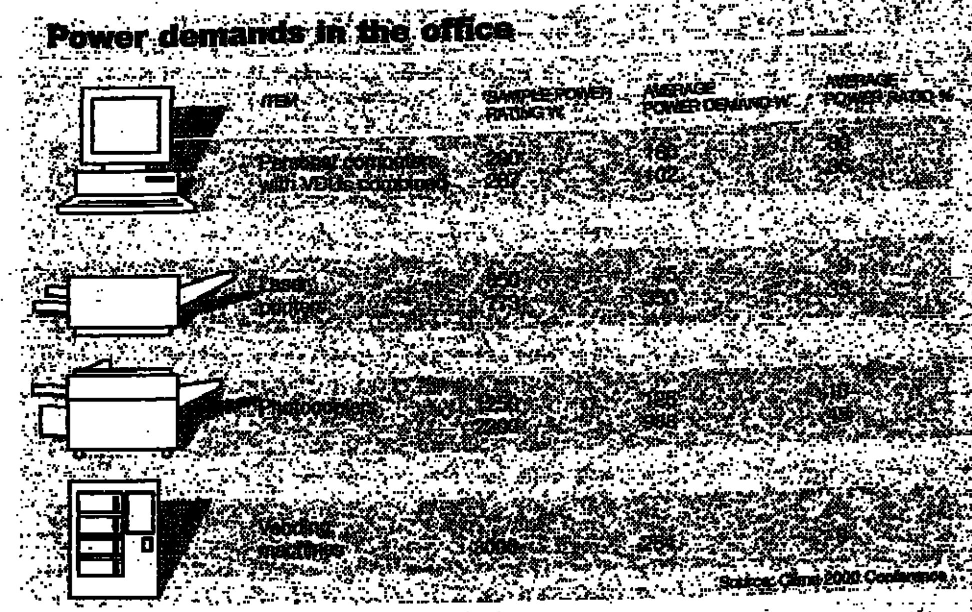
Private western investors have also brought resources to bear on pollution. Electrolux, the Swedish white goods group, bought Hungarian refrigerator manufacturer Lehel in 1991. About half of the $50m purchase price has been ploughed back into cleaning up toxic sludge, oil and heavy metals. General Electric of the US has begun to recycle fluorescent tubes produced at Tungsram, the lighting manufacturer which GE acquired in 1990.

More comprehensive environmental rehabilitation depends, as does so much else in Hungary, on recovery lifting the corporate sector as a whole. Banking on that prospect, among others, is the western green industry. EMC-Services of France and a subsidiary of Italy's Ansaldo are planning to construct two more incinerators. An Austrian company has invested in a long-term waste storage centre in Aszod. All they need is someone to put out the rubbish.

*Next week: Mexico*

## Arctic weather on the job

### Building designers may have overestimated air-conditioning needs, says David Lawson




Air-conditioning became almost a standard feature of building design during the construction boom of the 1980s. But evidence is emerging that the designers of this latest generation of buildings seem to have greatly overestimated the heat produced by the new electronic equipment that litters modern offices.

Introduced to draw off surplus heat from electronic equipment in the computer-crammed offices of central London, air-conditioning's popularity spread widely. But the fans, pumps and refrigeration plant soak up enormous amounts of energy – perhaps as much as one-fifth of a building's power bill. And now there are serious doubts that such powerful systems are necessary.

The UK government *is* attempting to reverse the trend of air-conditioned offices as part of its campaign to reduce CO2 emissions. Revised building regulations are due to come into force by 1995, in which, for the first time, designers and developers will have to justify the need for air-conditioning.

This has produced protests from some developers who say that occupiers demand air-conditioning.

However, Stuart Lipton, who led the development of the Broadgate complex in the City of London, says buildings are over-specified. In other words, occupiers are paying for air-conditioning they do not need.

The miscalculation in requirements by designers occurred during the building boom of the 1980s. Peter Hill of the Building Research Establishment's Energy Conservation Support Unit argues that office equipment consumes far less energy than anticipated by the developer teams. Tenants are paying a hefty price for air-conditioning systems that can cope with up to five times the real amount of heat generated, he says.

"Such a cooling system will always be operating inefficiently, vastly increasing energy consumption and costs," he says in a paper presented to Clima 2000, the international energy and environment convention recently held in London.

These over-indulgent systems are, according to Hill, a result of fear and ignorance. Equipment contributes only 10 per cent of overall office heat but designers build in hefty safety factors, he says. They do this to protect themselves against potential complaints from occupiers over failure to cool buildings *sufficiently*. At other times, Hill warns, they simply do not check the heat output of individual machines.

Hill's research indicates that simply adding up the potential items likely to be used in an office and multiplying that by the manufacturers' ratings does not work. One personal computer tested in Hill's research was rated at 90 watts but consumed only 30W. A laser printer used an average of 75W compared with a rating of 850W, while a photocopier took 126W rather than the rated 1250W.

**These over-indulgent systems are a result of fear and ignorance**

Another important factor in heat production is how often equipment is used. A room full of executives, for instance, would create less heat than a typing pool. A survey of 74 UK companies with a combined workforce of 3,500 showed that 10 per cent of managers never touched a PC and 45 per cent were only intermittent users. Typists, however, were 100 per cent users.

Figures also vary for different professions. Some 40 per cent of draughtsmen are regular PC users compared with 78 per cent of accountants.

Surveyors, who have a leading role in planning the capacity of services in any building, might look to their own work patterns for a hint of where they may be going wrong. Only 23 per cent are regularly in front of their PC and a quarter never go near one.

Designers cannot simply calculate the number of staff in a building, multiply that by the likely pieces of equipment and come up with a heat output. But they can produce a "usage diversity factor" compiled from the type of staff and the minimum number per machine – ranging from perhaps one person per PC to 20 per fax.

Office size and occupation density are also important. A big telesales or financial services floor will have far more staff and machines crammed into each square metre of space. On the other hand, a small office with a few staff will still need a standard range of equipment, so energy use per head may be relatively high. This means power consumption can vary between 50W and 250W per person in large offices.

Most speculative developers would maximise the letting potential for a building by aiming for the top of this range, and some occupiers will end up paying for an air-conditioning system five times as powerful as they need.

If designers continue to cater for the most energy-hungry potential user, this burden of over-capacity could get worse for less exacting users. Research by Brecsu shows that as extra and more powerful equipment is introduced, power consumption could rise over the rest of the decade to around 300W per person in larger offices and to 350W in those with around 50 staff.

From 2000, even the energy guzzlers may find themselves paying too much for heat extraction, as conservation measures will steadily reduce demand to 200W per person. The computer industry is already adjusting to new demands, as Jacques Roturier, professor at Bordeaux University, pointed out at Clima 2000.

**A laser printer used an average of 75W compared with a rating of 850W**

The majority of the 30,000 PCs sold in Sweden each year now have automatic turn-off monitors providing a stand-by capability of less than 8W. The US Environmental Protection Agency has signed an agreement with leading manufacturers for a "star" rating for computers and printers with automatic turn-offs and a stand-by mode of less than 30W.

But perhaps most significantly, US President Bill Clinton has ordered the federal government – perhaps the world's biggest computer purchaser – to buy only energy-efficient equipment. This could lead manufacturers to adopt energy-saving controls as a standard feature of all equipment.

In the meantime, Hill and Roturier say substantial energy savings could be achieved by closer examination of the real effects of office equipment loads, and by avoiding over-estimation for air-conditioning and cooling systems.

# ARTS



Theatre

## Two Parisian Hamlets

"Hélas! pauvre Yorique. Je l'ai connu, Horatio . . ." Right now, Paris has two French-language stagings of *Hamlet* – Georges Lavaudant's at the Comédie-Française (with Redjep Mitrovitsa), and Terry Hands's at the *Marigny* (with Francis Huster as Hamlet). The hero's name is *pronounced "Hum-lett" at one theatre, "Am-lett"* at the other.

Naturally, the compare-and-contrast exercise is rife. To a British observer, however, what they have in common is equally striking. French actors are full of old-fashioned virtues: no one comes onstage as if by accident, all of them know how to let their faces catch the *light, each of them knows how to project* his or her voice into the auditorium in fluent phrases. Though both stagings were heavily cut (running at just over *three hours), both were played with lib*eral supplies of calm and silence. In the closet scene, both Gertrudes kept their tears pianissimo or silent. Above all, both *Hamlets* were spoken with marvellous clarity, and performed with physical authority.

One goes to see the French perform *Hamlet*, not to catch some reproduction of what has succeeded in English stagings, but for whatever the French can reveal in it. *And it is the Comédie-Française Hamlet* (no interval) which is the more French *and, to this Briton, the more remarkable.* I have never seen *Hamlet* performed with so much stillness and economy; *or so con*stant a supply of vocal beauty. These actors know how to stand and how, without gesturing, to project physically to the other people onstage (as well as to the auditorium), so that a scene for three people creates a visually compelling triangle. The tall, elegant, bronze, box set (by Jean-Pierre Vergier), with a door at the rear and two further entrances downstage, never changes, except as Lavaudant's lighting sets it in different hues. Vergier has costumed it in 16th-century garb; Gertrude and *Ophélie might have stepped out* of Holbein. As for the melodramatic pom*posity which can be so deadly at the Com*édie-Française? Confined to the peripheries. *The core of this Hamlet is serious* and fresh.

Redjep Mitrovitsa – an actor at the same time classic, Romantic, and modern – is the main reason for this. He is slight but commanding. The small head is dominated by massive, downward-slanting cheekbones, and large, deep-set eyes; the hair, like Olivier's in the movie, is dyed white-blonde; the voice is a full, deep baritone so perfectly projected that a fortissimo was employed only two or three times, and even then without any kind of shouting. He can quickly alternate between anguish, philosophical enquiry, and sardonic wit.

What one remembers most is his sheer *stillness. The first third of the "Etre ou non être"* soliloquy, spoken at the front of the stage, is delivered without movement. During the second third, he simply raises his arms, holds them during a climax, and then lets them drop. The last third is again all stillness. The auditorium hangs upon his eyes and his voice – and upon the agony of mind which is Hamlet's legend and is vividly present here.

Terry Hands's *Hamlet*, taken at a brisker lick, has altogether more movement. Not, however, more naturalism. "Etre –" *says Francis Huster's Hamlet*; then tumbles to the floor; where he lies *supine and* says "– ou non être". He rises, gestures, and then says "Voilá le question: est-il plus noble . . ." Huster, who must be well into his 40s (and often brings Michael Pennington to mind), is a star who has assembled this company and organised this Marigny season. *Cid).* He emphasises Hamlet's rhetoric. A light, dry baritone, he has energy, charm, and edge without great depth.

**Alastair Macaulay**

*Hamlet at the Comédie-Française is in repertory with other plays until June 30. Hamlet at the Marigny is being given until May.*

In times of national decline and international horror it is tempting to brood on what we still excel at. The performing arts have been Britain's great success story since the war, and the past week has provided *nicely contrasting reminders of recent glo*ries in the field.

*Omnibus* (BBC1) celebrated Sir John Gielgud's 90th birthday with fascinating archive film, professional and personal testimonials, and presentation by Kenneth Branagh who modestly spoke of "sharing the stage with a living legend" in tones that suggested it takes one to know one. A virtual history of modern British theatre emerged – West End, Coward, Old Vic, Stratford, modernity at the Royal Court, not to mention increasing film work from the 1960s and TV commercials for Paul Masson wine. No mention of the preposterous *Caligula*, though a glimpse of fashionable intellectual kitsch from Peter Greenaway, with its splashy nudity, oddly resembled what one had heard of the Playboy dip into high culture. Throughout, Sir John was urbane and mischievously self-deprecating, charmingly illustrating Irene Worth's verdict that "he takes us as we are". Our good fortune is that he gives as well.

How different, how very different, from *Omnibus's* tribute to Joan Littlewood a week later. Miriam Karlin's "You love the woman but you can't bloody well trust her" was a not untypical judgment. Littlewood, a pug-faced gnome in a peaked cap, was equally affectionate towards old colleagues, "that bugger" Richard Harris and "silly bitch" Barbara Windsor. And that was just the people she liked.

Littlewood contributed more than mere direction to the triumphs of the East End-based Theatre Workshop. *A Taste of Honey, The Quare Fellow, The Hostage*: "If anyone wrote them, it was Joan," declared an actor still bemused after 30 years. Her contempt for writers could be fruitful. Lionel Bart cackled his way through the unexpurgated "*Fings ain't wot they used t' be*", originally the complaint of out-of-work tarts. Nemesis struck when Littlewood "tore up the script" in rehearsals of *Twang!*, the sumptuously financed West End musical on Robin Hood, longing to return to "a dozen actors and a few old props". Disaster resulted.

Devised and produced by John Hough, directed by Alan Lewens, the totally gripping programme evoked the bumpy exhilaration of working with this maddening woman, unpredictable even in her nonconformism (decrying Peter Brook's "old art stuff", disowning the class struggle: "I didn't like any bloody class; just people with talent"). "You have to be ruthless," she claimed; but rehearsed in pink light that caressed her actors. "I loved them, the bastards. I never told them so." Ruthless, my eye. There's a softy underneath. We were mad to exile her to France.

*The Frost Programme* (ITV) trotted out Sir Anthony Hopkins, preceded by dreadful jokes delivered on glazed-eyed autopilot by Frost, sagging and crumpled like an empty glove puppet. Hopkins was genuinely nice and nicely genuine, faintly embarrassed at his host's remorseless prompting to anecdotal luvviness. "An audition with Olivier?" Frost nudged knowingly as the thesp took on a hunted look. "You're *on the most – fantastic – roll*," groped the international wordsmith, even venturing an artistic opinion on Hopkins' latest film: "It's doing fantastic business." Of such aesthetic values are media moguls made.

*A blow for the bigger woman? Dawn French, painted by Peter Howson for a witless South Bank Show*

Television/**Martin Hoyle**

## Stars turns and preposterous poses

The craft was seen in practice in BBC 2's *Screen Two* "by the award-winning writer David Livingstone", according to a more than usually vacuous-sounding continuity announcer who presumed wrongly. Had *Return to Blood River* been written by the sage of Blantyre instead of mere Douglas Livingstone it might have generated an atmosphere more redolent of Africa than North Peckham. The timely story of a white liberal Afrikaner returning home after years in England to take up his murdered father's business ultimately wasted a promising situation. A case of double-bluff – the honourable black was in fact guilty – copped out with a melodramatic ending and sketchy characterisation. Lavishly cast, it also wasted some fine actors, notably Barbara Jefford, reduced to a baleful presence; Frances Barber, alternately radiant and blazingly angry; and Warren Clarke's leeringly genial, racist Boer.

We may be good at acting but in recent years British architecture and life-style leave something to be desired. Such is the message of the three-part *Heaven, Hell and Suburbia* (C4) which kicked off with an ominously heavy-handed fantasy for the opening credits. Presenter Jonathan Glancey has the boyish, whimsical look of a young Tom Stoppard, but his loonier flights are intended seriously.

Suburbia can mean many things: villages swallowed up by the city (Hampstead, Chelsea), self-contained areas *retaining their identity in a metropolitan* context (Kew, Richmond), or such great developments away from the city centre as Edinburgh's New Town or Bristol's Clifton and Hotwells. The director Bob Bee should have asked hard questions about definition. But it transpires that Glancey has it in for Metroland and its descendants. Stunningly commonplace observations on mock-Tudor alternated with strange *obiter dicta* like "stained glass speaks of cosiness and crumpets for tea" (I shall look at Chartres Cathedral with new eyes).

Glancey commented on sundry English characteristics like suburban DIY while forgetting that most English of all characteristics, sneering at things English. He seemed amazed that people chose to move from the city and outraged that they should "want to be with their own kind," adding "and that's what they get" in tones that implied bubonic plague. As one who has been robbed once at knifepoint and once at gunpoint in front of my South London front door, I could enlighten him.

The pleasant, aesthetically unremarkable inhabitants of pleasant, aesthetically unremarkable homes in both England and America spoke of escaping vandalism, crime, violence and fear, but Glancey steamrolled on regardless.

A colleague was recently ejected from a press gathering for the *South Bank Show* starring Dawn French for representing a magazine that had been less than positive about Ms French's *Murder Most Horrid*. Fearful of offending television's PR boys and girls, I shall consider my words carefully before pronouncing last Sunday's *SBS* (ITV) interminably witless, repetitive, cliché-ridden and self-indulgent. An alleged blow for the bigger woman (Ms French is generously built), it wheeled out all the old observations on the disadvantages of being a big girl today when the ideal is anorexic willowiness, though a woman who, like La French, aligns herself with Marilyn Monroe and Olympic athletes among others does not seem to have any problems with self-confidence. Rubens was mentioned, Camille Paglia theorised, Jo Brand told jokes, a war artist fresh from Bosnia conceded that painting Ms French was "a total change", and a fashion photographer waxed historical on fleshy ladies with "they wore tents in those days . . . In modern words, there was a lot of celluloid there."

There was a lot of celluloid here too; I had to pinch my cellulose to keep awake. Dawn French posed for photographs in the style of old masters, was reduced to a flurry of glottal stops at her (imagined) nude portrait while Britten's *Midsummer Night's Dream* played in the background, whether identifying the reclining actress with Titania or Bottom I am unsure.

*It is surely time the South Bank Show* gave up pretensions to being an arts programme. These are few enough, and likely to get fewer; their precious space must not be squandered on woolly-minded superficiality calculated to show merely that even if opera singers are no longer fat, prima donnas still are.

The Milan Antiques Fair/**Susan Moore**

## A most bizarre bazaar

Will Italy ever realise its potential as a major international art market? On the evidence of Milan's 12th Internazionale dell'Antiquariato, the notion of even an *Italian international antiques fair remains* something of a contradiction in terms.

*Italian art and antiques fairs are quite* unlike any other. No dealer would dream of exhibiting exceptional stock – anything that stood the remotest chance of being "notified" as of national importance by the Soprintendenza alle Belle Arti. Vetting is perfunctory; descriptive labels are rare commodities, and listed prices unheard of. An attribution might depend on how much the client knows, the price on from where the money is coming. At these most *bizarre of bazaars, there is a positive reluc*tance to do serious business. That is done *elsewhere*, and invariably not in Italy.

Crucially, despite the removal of trade barriers within the EC, it is no easier *legally* to export works of art from Italy. No foreigner can be sure he has the right to take his purchase home.

Unsurprisingly, most of the relatively *few outstanding works of art at the Milan* fair were shown by foreign dealers who can import works on a temporary licence. Italian trade fielded far better applied and Oriental arts than pictures, reflecting the Belle Arti's relative lack of interest in the former. Visconteum offered impressive silver; Emil Mirzakhanian a ravishing Khmer female torso in Angkor Wat style, dated to the first half of the 12th century; and Milan boasts a surprising number of *the world's leading rug and textile dealers.*

With a question mark hanging over the future of its rival antiques fair at the Palazzo Strozzi in Florence, Milan could have pulled out the stops to establish itself as the pre-eminent Italian antiques fair. The city is, after all, the country's financial capital and its purpose-built fairground, like the exhibition centre used by the hugely successful European Fine Art Fair at Maastricht, provides almost limitless flexible space.

Unlike the Maastricht fair, however, there is no foundation or board to run the Milan fair. The overall quality of the exhibits was mixed, organisation was eleventh hour, and the presentation undistinguished.

*Arguably, these are the least of the prob*lems facing the Italian art trade. If the *unbelievably complex Italian art market is* to become more ethical, decades of punitive taxation, ponderous bureaucracy, and the effective "criminalization" of the dealer will have to be reversed. The old communist notion that the possession of works of art by the individual is a crime against collectivity still lingers on in Italy.

A perfect example is provided by the empty display cases in the fair itself. These were to house a choice selection of applied arts and musical instruments from the renowned collections at Milan's Sforza Castle. *The evening before the fair's gala* opening, the Ministry of Culture in Rome declared it unsuitable for a public collection to be exhibited at a commercial venue. The Russians had no qualms about lending treasures from the Hermitage to the Maastricht fair earlier this year.

Dealers – and collectors – are subject to police-state scrutiny by the combined forces of the Belle Arti and the tax authorities. The former are obliged to pay VAT *at 19 per cent, a rate also charged on both* imports and exports. The Belle Arti not *only monitors these and the sale of "noti*fied" works of art from one individual to another, but exercises the right to buy for the given price. If VAT were reduced to 6-7 per cent, one dealer assured me, half of the more creative methods of accounting and moving works of art would disappear overnight.

## New secretary for Arts Council

*Former actress Mary Allen has* been appointed secretary-general of the Arts Council. She replaces Anthony Everitt, who resigned as secretary-general in February after the debacle over the funding of London's orchestras. Allen has been the council's deputy secretary-general since 1992.

Announcing the appointment yesterday, Lord Gowrie, who recently succeeded Lord Palumbo as chairman, said: "We were all agreed that the strongest and *most resolute candidate, Mary Allen,* should carry the day."

Allen, who once starred in the *Rocky Horror Show* in the West End of London, said: "We have tough choices ahead. But all of us are whole-heartedly committed to serving the arts, one of the strongest components of our national life."

# INTERNATIONAL ARTS GUIDE

### ■ BONN

**Oper** Tomorrow, Sun: Valery Panov's production of Prokofiev's ballet Cinderella. Sat, next Wed: Les Contes d'Hoffmann with Francisco Araiza. Next Mon and Fri: La fanciulla del West. Next Tues and Thurs: Eugene Kohn conducts Gian Carlo del Monaco's new production of Tosca, with Larissa Shevchenko in title role (0228-773667)

### ■ COLOGNE

**Philharmonie** Tonight: Elena Bashkirova plays piano music by Schumann. Tomorrow: Cologne Bach Society presents Bach's B minor Mass. Fri: Vladimir Fedosseyev conducts Cologne Radio Symphony Orchestra in works by Britten, Prokofiev and Musorgsky, with violin soloist Viktor Tretiakov. Sun: Cologne Concert Chorus presents Verdi's Requiem. Mon: Orchestra of the Komische Oper Berlin plays Telemann, Mozart, Barber and Mendelssohn, with trumpet soloist Michael Stodd. Next Tues: Georg Solti conducts Chamber Orchestra of Europe in concert performance of Così fan tutte, with cast headed by Anne Sofie von Otter, Luca Canonici and Olaf Bär (0221-2801)

**Opernhaus** Tonight: revival of Ariadne auf Naxos, with cast headed by Alessandra Marc, Dolores Ziegler, Barbara Kilduff and Peter Svensson (repeated April 23, 26, 29). Fri: Yevgeny Onegin with Galina Gorchakova as Tatyana. Sun: TanzForum production of Peer Gynt, choreography by Jochen Ulrich. Next Wed: revival of Macbeth with Alexandru Agache and Elizabeth Connell (0221-221 8400)

**Schauspielhaus** Tonight: Brecht's The Good Person of Szechuan directed by Günter Krämer. Fri: first night of new TanzForum production choreographed by Jochen Ulrich. Repertory also includes Chekhov's The Bear, Camus' Caligula and James Joyce's Molly Bloom (0221-221 8400)

### ■ COPENHAGEN

**Royal Theatre** A new production of John Neumeier ballets, set to Mahler's Des Knaben Wunderhorn and Fifth Symphony, opens tomorrow for a three-week run (tel 3314 1002 fax 3312 3692)

### ■ DRESDEN

**Semperoper** Tonight: Gerhard Oppitz piano recital. Tomorrow, Tues: La Cenerentola. Fri, Sun: Die Zauberflöte. Sat, Mon: ballet mixed bill (0351-484 2323)

**Kulturpalast** Sat, Sun: Lothar Zagrosek conducts Dresden Philharmonic Orchestra and Chorus in works by Ernst Helmuth Flammer, Brahms and Verdi (0351-486 6666)

### ■ FRANKFURT

**Alte Oper** Tomorrow: Matt Haimovitz cello recital. Fri: Volker Schmidt-Gertenbach conducts Sinfonia Varsovia in works by Beethoven, Brahms and Schumann, with violin soloist Florian Sonnleitner. Sat: an evening of French song with Juliette Greco. Sun: Michael Gielen conducts South West German Radio Symphony Orchestra in Beethoven and Bruckner, with piano soloist Stefan Witwin. Mon: Radu Lupu piano recital. Next Wed: Prague Symphony Orchestra. Next Fri: Muti conducts Vienna Philharmonic (069-134 0400)

**Oper** Tonight, Sun: Hans Zender conducts Veit Volkert's new production of Peter Cornelius' comic opera Der Barbier von Bagdad. Fri, next Mon: Frankfurt Ballet in choreographies by William Forsythe and Amanda Miller (069-236061)

### ■ GOTHENBURG

**Konserthuset** Tomorrow, Fri: Hiroshi Wakasugi conducts Gothenburg Symphony Orchestra in works by Debussy, Elgar and Dutilleux (031-167000)

**Stora Teatern** Fri, Sun: Robert North's ballet The Russian Story, music by Tchaikovsky and Shostakovich. Sat: Elisabeth Erikson sings in a staged performance of Poulenc's La Voix humaine (031-131300/031-136500)

### ■ HAMBURG

**Staatsoper** Tonight, tomorrow, Sat, next Thurs, Fri and Sat: John Neumeier's version of Prokofiev's ballet Cinderella. Fri: Le nozze di Figaro. Sun: Der Rosenkavalier with Edith Mathis, Susanne Mentzer, Barbara Bonney and Kurt Rydl. May 6: first night of Harry Kupfer's new production of Khovanshchina (040-351721)

### ■ HELSINKI

**Finnish National Opera** Tonight: L'elisir d'amore. Tomorrow: Nicolai's Die lustigen Weiber von Windsor. Fri: three Stravinsky ballets, choreography by Robbins, Uotinen and Nijinsky. Sat: La traviata. May 1: Teresa Berganza song recital (0-4030 2211)

### ■ LEIPZIG

**Opernhaus** Tomorrow: Zar und Zimmermann. Sat: Uwe Scholz's ballet set to Haydn's The Creation. Next Tues: revival of Lohengrin (0341-291036)

**Gewandhaus** Sun morning, Mon evening: Stanislaw Skrowaczewski conducts MDR Symphony Orchestra in works by Brahms, Saint-Saens and Bruckner, with cello soloist Matt Haimovitz. Tues: Wojciech Rajski conducts Polish Chamber Philharmonic in Smetana, Chopin, Falla and Chabrier, with piano soloist Piotr Paleczny (0341-713 2280)

### ■ LYON

**Auditorium** Tomorrow, Sat: Sylvain Cambreling conducts Orchestre National de Lyon in works by Mozart and Mahler, with vocal soloists Reinhild Runkel and Ronald Hamilton (7860 3713)

**Opera** Tomorrow, Sun, next Wed and Sat: Kent Nagano conducts Ernst Theo Richter's production of Strauss' Le bourgeois gentilhomme and the original 1912 version of Ariadne auf Naxos. Next Thurs: Charles Dutoit conducts Orchestre National de France (tel 7200 4545 fax 7200 4546)

### ■ MUNICH

**Staatsoper** Tonight: Il trovatore with Elena Filipova, Stefania Toczyska, Dennis O'Neill and Justino Diaz. Sat: Peter Schneider conducts revival of Dieter Dorn's production of Così fan tutte (repeated April 26, 29, May 2, 6). Sun: John Cranko's ballet The Taming of the Shrew (089-221316)

**Gasteig** Tonight: Charlie Chaplin's 1925 silent film Goldrush, with live orchestral accompaniment conducted by Carl Davis. Tomorrow: Lithuanian Chamber Orchestra plays an all-Mozart programme. Fri: Martin Turnovsky conducts Prague Symphony Orchestra in works by Smetana, Schumann and Dvorak. Sat: Munich Bach Collegium plays a Handel programme. Sun, Mon: stars of the Bolshoi Ballet. Tues: Sandor Vegh conducts Camerata Academica Salzburg in Mendelssohn and Beethoven (089-4809 8614)

### ■ OSLO

**Konserthus** Next Tues: Teresa Berganza song recital (2283 3200)

### ■ STOCKHOLM

**Royal Opera** Tonight: La boheme. Tomorrow: Arne Mellnäs' new two-act opera Doctor Glass. Fri, Sat: John Neumeier's ballet Peer Gynt, music by Schnittke. Next Tues and Thurs at Rotunda: Peter Bengtson's new chamber opera Jungfruma (The Maids), after the play by Jean Genet (tickets 08-248240 information 08-203515)

**Konserthuset** Tonight, tomorrow: Raymond Leppard conducts Royal Stockholm Philharmonic Orchestra and Chorus in works by Stravinsky, Mendelssohn and Holst, with violin soloist Maxim Vengerov (tickets 08-102110 information 08-212520)

### ■ STRASBOURG

**Théâtre Municipal** Tomorrow, Fri, Sat, Sun: Ballet du Rhin in Peter Schaufuss' production of La Sylphide (8875 4823)

### ■ STUTTGART

**Staatstheater** Tonight: Alan Hacker conducts Goran Järvefelt's production of Don Giovanni, with Wolfgang Schöne in title role. Tomorrow: Nono's Intolleranza 1960. Fri: La clemenza di Tito with Keith Lewis in title role. Sat: John Cranko Ballet School. Sun morning, Mon evening (in Liederhalle): Gabriele Ferro conducts orchestral and choral works by Brahms and Aldo Clementi. Next Tues: Der Rosenkavalier with Ellen Shade and Helmut Berger-Tuna (0711-221795)

**ARTS GUIDE**

**Monday:** Berlin, New York and Paris.
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**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

**European Cable and Satellite Business TV**

(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;

## Edward Mortimer

# UN's odd couple

### Humanitarian work and weapons make unhappy partners

Everyone now agrees that UN troops in Bosnia are in an impossible situation. They are called the "UN protection force" (Unprofor) but they are unable to protect themselves, let alone the "safe areas" which they were mandated to protect.

In a common-sense world one of two things would now happen. Either Unprofor would be built up to a strength allowing it to fulfil its mandate, or it would be withdrawn. Actually, neither of those things will happen, because both are considered incompatible with its "humanitarian role".

Again and again we are told that Unprofor has saved thousands of lives, by enabling aid convoys to get through to beleaguered populations, and by securing a ceasefire at least in parts of the country. Its withdrawal would put those lives in jeopardy again: aid would no longer get through, and fighting would resume on a much broader front.

But, the argument goes on, giving Unprofor the troops and the orders to resist Serb attacks on the "safe areas" would also jeopardise those lives. Until last week's crisis, 75 per cent of the aid was coming in through Serb-held territory; and, if the UN became a belligerent in Gorazde, it would no longer be able to maintain the ceasefire in Sarajevo or elsewhere.

Thus, yet again, humanitarian arguments are used to explain the failure of governments to make clear strategic decisions. The question that has to be asked is whether humanitarian work should have been entrusted to UN troops in the first place.

Of course, troops do often play a useful role in disaster relief, even when the disaster is a natural one and no element of coercion is required. Armed forces are – or should be – well organised, disciplined groups of people, available to governments at short notice, trained to perform arduous tasks with calm efficiency.

But when people with weapons are sent into the middle of a war, there is a natural presumption that they may be expected to use those weapons. If relief work is being impeded by violence, then the obvious role of armed UN troops is to protect the relief convoys and to remove, disarm or "neutralise" the people who are obstructing the convoys.

Such was the mandate given to the UN force in Somalia. It was not to take sides among Somali factions, but simply to ensure none obstructed famine relief. That made some sense in that the threat to relief in Somalia came from general anarchy and looting. Even so, the UN found it difficult to remain neutral and got bogged down in a conflict with one of the factions.

**Unprofor made it harder for aid workers to convince anyone of their impartiality**

Unprofor in Bosnia did not have such a clear mandate. But even if it had it would probably not have worked. For in Bosnia the humanitarian problems were not the result of a general breakdown of order. They were caused quite deliberately by the determination of the Serbs (and for a time also the Croats) to dismember the country and uproot a large part of its population.

If force had any role to play in relieving human suffering in Bosnia, it should have been used to protect the population against the armed thugs who were massacring, raping, looting and driving people away from their homes. But that was never attempted. Instead the UN sought the consent of the Serb and Croat leaders, at local as well as national level, for the passage of relief convoys. Those leaders allowed aid through only when it suited them, usually taking a large share for their own troops.

In those circumstances the advantage of having armed escorts for the convoys is far from obvious. Many civilian aid workers say they never sought such protection. If deals had to be made with local military and paramilitary forces, they could make such deals themselves. Having Unprofor there, with its ostensible (but unfulfilled) mandate to protect the population, has simply made it harder for aid workers to convince anyone that they themselves are playing an impartial and non-political humanitarian role. That is especially hard for employees of the UN High Commissioner for Refugees, but the problem also affects the Red Cross and other non-governmental organisations (NGOs).

Many NGOs wish governments would leave humanitarian work to them, and concentrate on the proper tasks of government, which are political and military. In the former Yugoslavia, aid workers have been better placed than anybody to see that humanitarian problems have political causes. They deplore the fact that governments have failed to deal with those political causes, and they see the use of Unprofor in a humanitarian role as a disastrous cop-out, whereby governments give themselves the appearance of "doing something" while failing miserably to do anything effective in the politico-military sphere.

The point is eloquently put by Alain Destexhe, general secretary of MSF International – perhaps the most thoughtful as well as the bravest of all the NGOs – in a recent book.* "No doubt," he writes, "Sarajevo and several other towns have been fed. No doubt the impressive humanitarian deployment has kept tens of thousands of people alive. No doubt the presence of blue helmets on the ground has helped calm things down a bit. But can we be proud of this? Must we congratulate ourselves because refugees whom we refused to welcome, and who had nowhere to go, have not been allowed to starve to death? Must we be proud of having doled out flour in refugee camps to people whose style and standard of living used to be close to our own?"

Those are what linguists call rhetorical questions. They do not expect an answer.

**L'humanitaire impossible* (Armand Colin, 120 francs.)

# Talking shop soon open for ideas

### David Goodhart says European works council legislation strikes a nerve among employers

"A European committee for informing and consulting employees shall be established in every Community-scale undertaking." It sounds harmless enough but the planned extension to the European Union's employment legislation, discussed by ministers yesterday in Brussels, has provoked an angry reaction from European business.

"The way some businessmen talk, you would think we were proposing to establish Soviets of workers and peasants in every European company," says Mr Willy Buschak of the European Trade Union Confederation in Brussels.

The committees, or works councils, are back in the limelight because an attempt to reach a deal on a voluntary consultation procedure between the confederation and Unice, the European employers body, broke down this month. An EU directive should be passed by October, and will become law two years later, with a further two years for works councils to be set up.

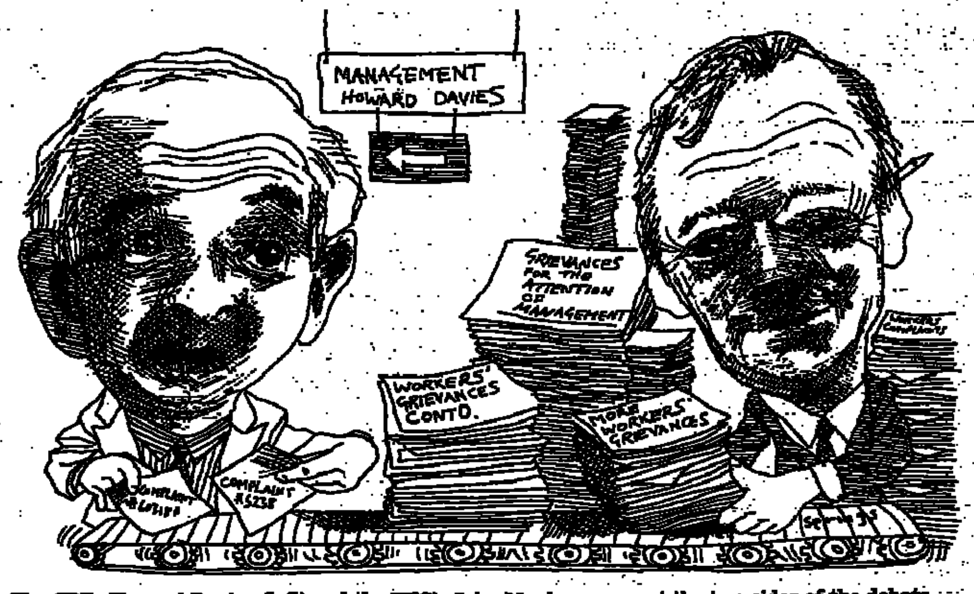
About 1,000 multinational companies, those with at least 1,000 employees in Europe and with operations in at least two EU countries, will be affected. The works councils, of about 30 management and employee representatives in total, will meet at least once a year, although a sub-committee may meet more often in the event, for instance, of a merger or redundancy announcement.

British companies are not directly affected, because the government won an opt-out from some aspects of social legislation during negotiation of the Maastricht treaty. But about 100 UK-owned multinationals will be covered through their continental European operations, and many are likely to include their British employees in the works council system. Some UK government critics claim that this inclusion illustrates the limited effectiveness of the opt-out.

But because the UK is no longer formally involved in formulating the legislation, a big obstacle to the directive becoming law has been eliminated. The other 11 member states are happy to support the initiative and it is only British objections which have stalled it over recent years.

But why, if EU governments appear sanguine about the issue, are European businesses antagonistic? And what effect will the works councils have on European multinationals?

The debate about worker consultation goes back 20 years, but has taken on a new lease of life since the arrival of the internal market last year and the growth of cross-border mergers within Europe.




The CBI's Howard Davies (left) and the TUC's John Monks represent the two sides of the debate

Statutory systems for informing and consulting workers exist within larger companies in most individual EU member states, with the notable exception of the UK. To Commission officials and European trade unions it seems logical to extend such mechanisms to the European level in multinationals.

Further, there has been a feeling in parts of the Commission that much recent legislation, such as the single market, has benefited business, "and it is about time we did something for labour to balance things out", as one Commission official puts it.

Mr John Monks, general-secretary of the British Trades Union Congress, says unions have long supported the notion of the "stakeholder" company, in which employees have the legal right to be consulted about matters which affect them. They have also seen European works councils as the first step towards Europe-wide collective bargaining and, perhaps most useful from their point of view, as an opportunity for trade union networking at employers' expense.

The Commission has calculated that the cost of travel, interpreters, and so on, could amount to Ecu10 per employee a year, or several hundred thousand pounds a year for larger companies.

But cost is not the main objection from Europe's employers. There is anxiety about the vagueness of what "consultation" will mean and about the number of meetings that will, in practice, be required each year. IBM Europe says that if any management proposal with "serious consequences" for employees is the criterion under which a meeting should be convened, more than 3,000 meetings would have been needed last year.

**Many senior managers admit that the councils will be more of a nuisance than a serious obstacle**

But the biggest problem with the scheme, employers say, is its inflexibility. Mr Alan Wild, employee relations director at Guinness, the international drinks group, says there would have been far less hostility if the Commission had demanded companies should inform and consult employees but had left the method to the companies themselves.

"At Guinness, for example, we do not take decisions at a European level, so we will have to create a new management layer to participate in the works council discussions," he says. A further anomaly will arise at GrandMet's Burger King subsidiary, which includes Africa and the Middle East in its European management responsibilities.

Mr Peter Reid, of the British Engineering Employers Federation, says central management involvement in works councils at European level, when so many experiments in consultation take place at local level, will be "unhelpful".

He rebuts the proposition that British employers are uniquely worried about the legislation because, unlike their continental counterparts, they are not familiar with statutory consultation systems. Mr Howard Davies, director-general of the Confederation of British Industry, the UK employers body, adds that the record of British companies in consulting their workers is improving year by year.

It is not only UK companies which are complaining. Mrs Regine Matthijsen, head of international industrial relations at Philips, the Dutch electronics group, says: "The directive is the wrong, static approach. It will certainly slow down decision-making."

But in its home base of the Netherlands, Philips has learned to value a statutory works council system for negotiating with employees. That makes Philips more relaxed about consultation than some of its UK rivals.

So are the fears of European employers exaggerated? The pending works council legislation has struck a nerve because, unlike most social legislation, it creates a high-level corporate structure rather than refining existing systems, such as those which operate health and safety or maternity provisions.

But the experience of the 35 European works councils which have been established voluntarily in multinationals such as the German car group Volkswagen and Bull, the French computer group, suggests they can be useful forums for communication.

"It really does help us understand what the company is doing, and that makes employees readier to accept management decisions," says Mr Brian Revell, an official of the TGWU general union. He is a member of the Nestlé works council and recently attended the Swiss food company's annual meeting for a overview of company strategy. He says the company has been responsive to ideas arising from the councils, such as investigating how to get more women into senior management.

Most unions, however, take a more sceptical view. They see consultation as at best a means to delay unpopular decisions and do not expect to be able to challenge management perogatives. But in their current weakened state amid high unemployment Europe's unions are happy to enjoy the "institutional presence" that the legislation will give them.

And, privately, many senior managers admit that the councils will be more of a nuisance than a serious obstacle to their corporate plans. "We will be able to manage the system so that it has relatively little impact," said one.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Free trade challenge cannot be met with job instability

*From Mr Peter Ingram.*

Sir, Your article, "A fortress would be no defence" (April 15), argues that the EU's economic viability depends on liberal trade and less distorted labour markets. In the UK, labour market reform is regarded as having made a positive contribution to the efficient operation of the economy. Such "flexibility" has become synonymous with shorter job tenures, insecurity of employment and the belief that the further removal of market restrictions will boost productivity and provide economically consistent wages.

Further destabilisation of the UK labour market could prove counter-productive. The future source of UK productivity growth and competitiveness is unlikely to be reinforced by reforms which cause insecurity and instability in the workplace. Instead, the appropriate competitive response is to foster a functionally flexible, high productivity, multi-skilled workforce. Where job tenures are more enduring, employers have the opportunity to realise returns on investments in training and human capital.

The benefits of stable interaction between management and employees lie behind the pronounced flexibility found in Japanese firms with their emphasis on relational contracts and long-term employment. In Britain this flexibility has been assisted by the reform of trade unions which has allowed management to consolidate control over workplace organisation. In the interests of future productivity and competitiveness, the fashion for increased instability in "freer" labour markets should be tempered in favour of more beneficial forms of flexibility. Seeking to compete on price with low-wage economies is an incorrect labour market response to the free trade challenge.

Peter Ingram,
*lecturer in economics,*
*University of Surrey,*
*Guildford GU2 5XH*

*From Mr Mario Dunn.*

Sir, I am somewhat confused by Martin Wolf's arguments ("A fortress would be no defence") against Labour protection. He argues for lower levels of protection so that European workers can "compete" in a world market, parts of which employ child labour or adult workers at a fraction of European labour costs.

I would be surprised if an article in the FT said anything else. Yet can this be the same Martin Wolf writing in the recent issue of Demos? His article on unemployment in that magazine states: "The best possibility, however, would be to imitate the Japanese ... The Japanese solution was the highest rate of formation of physical and human capital in the industrial world, combined with a labour market that gave new opportunities to outsiders and job protection to insiders. This is the only route towards the trio of higher output, higher employment and better jobs."

Mario Dunn,
*233B Balham High Road,*
*London SW17 7BG*

## No nasty surprises at the opera

*From Mr Peter Sachs*

Sir, The problem with the English National Opera ("Contrasting fortunes at the opera", April 19) is that productions have in the past decade become "unreliable", while the musical performance has remained consistently high. For many years I was told that my taste was too old-fashioned, but the abysmal 56 per cent attendance record now shows that I was not alone in wanting realistic productions.

I have written to its director, Mr Dennis Marks, with a solution: tell potential audiences exactly what sort of production they are going to see, so they will not be in for a nasty surprise. That way some confidence may be restored. The seat price reductions are probably less significant.

Peter Sachs,
*Tanglewood, Manor Road,*
*Penn, Bucks. HP10 8JA*

## Time ripe for review of utility regulatory system

*From Dr Dieter Helm.*

Sir, In your editorial, "Sizing up the watchdogs" (April 15), you rightly assert that "there is a premium on predictability and the reduction of regulatory risk". However, it is far from obvious that the existing system of utility regulation meets this criterion.

Fearful of political interference, utility regulators have been given considerable discretion in carrying out their duties. The personality matters greatly. Witness, for example, the change in tone in the gas and telecoms industries with the change in incumbent. Under a different government, simply changing the personalities would have a big impact.

The multiplicity of regulatory bodies adds to the problem of discretion. With the convergence of many utility businesses likely to gather pace after the periodic reviews in the water and electricity industries this summer, the competition between regulators which you promote as being a healthy feature of the current system becomes critical in determining market outcomes. The most graphic example arises in the electricity and gas industries in the run-up to franchise abolition in 1998. The merger of two bodies, Offer and Ofgas, would increase regulatory certainty, and save public money by reducing administrative costs.

The time is ripe for a thorough review of the system. After a decade it is worth reflecting on the lessons of experience. However, your suggestion that such a review should be conducted by the Office of Fair Trading is disingenuous. Given that the director general of the OFT has publicly defended the merits of the current system and argued against change, it is hardly appropriate for the OFT to conduct such a review.

The right place is the Department of Trade and Industry, responsible as the sponsoring ministry for most of the utility regulatory bodies. For, although the ideal of a purely technical solution has attractions, there are inevitably political issues at stake in utility regulation. To pretend otherwise is either naive or dangerous.

Dieter Helm,
*Fellow in Economics,*
*New College,*
*Oxford OX1 3BN.*

## No easy money in libraries

*From Mr Ross Shimmon.*

Sir, So "anyone can play with the idea of running a library" can they? ("Libraries up for grabs", April 13).

Public libraries are among the most popular and most heavily-used of public services. They are an essential element in the quality of life of local users.

They support the educational, leisure and business activities of their communities. They are not political footballs or the playthings of "bookish entrepreneurs, management consultancies, retired librarians or leisure companies".

It is true that the government wishes to find out whether parts of public library services or even whole services can be contracted out. We at the Library Association are extremely sceptical as to whether they can be, without adversely affecting the services they provide. The Brent initiative is one of five schemes currently in progress and subject to monitoring by a steering committee set up by the Department of National Heritage.

However public libraries are delivered in the future, the legal requirement for local authorities to provide a "comprehensive and efficient" library service to all who live, work and study in the area remains – and the core services have to be free at the point of delivery. So a contractor will be required to ensure that they continue to provide such a service.

Nor is there a quick buck to be made in renting CDs or videos as mooted by your correspondent – copyright legislation will prevent that.

Ross Shimmon,
*chief executive,*
*The Library Association,*
*7 Ridgmount Street,*
*London WC1E 7AE.*

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday April 20 1994

# Hope for South Africa

Once again, South Africa's leaders peered into the abyss and stepped back from the brink. The collective sigh of relief at yesterday's agreement between the National party, the African National Congress and the Inkatha Freedom party, allowing the latter to participate in next week's elections, was almost audible. Provided the spirit as well as the letter of the accord is respected by all parties, it will rank as a milestone on South Africa's bumpy road to democracy.

The country's deep-rooted political violence will certainly not end, but it can now at least be curbed. Notwithstanding the prospect of a tense campaign in Natal, the intolerant atmosphere in parts of the eastern Cape, and the hostility of many white farmers to campaigners from the ANC, South Africa now has a reasonable chance of conducting an election which will reflect the wishes of most of its citizens.

Since Mr Nelson Mandela's release from prison in February 1990, tragic and violent events have repeatedly come close to derailing the transition to democracy. None of them, however, posed the quite the same destabilising threat as that of Chief Mangosuthu's Buthelezi's stand over the status and powers of KwaZulu-Natal. The mayhem in central Johannesburg three weeks ago, the imposition of a state of emergency on Natal and the subsequent collapse of the financial rand threatened a disastrous start to the new South Africa.

Yesterday's agreement offers a real chance of defusing this conflict, so long as all three parties draw appropriate lessons from it. The most obvious is that the fundamental constitutional issue at the heart of the crisis can not now be brushed aside. Chief Buthelezi may have made almost all the concessions to achieve yesterday's deal, but that does not mean he did not have a point in demanding a greater measure of devolution than is provided for under the constitutional principles agreed thus far.

The powers of Natal and the eight other provincial assemblies, and the extent to which these powers can be overidden by central government, will continue to be a critical factor in South African politics. It will be for the National Assembly elected next week to find a more satisfactory way of squaring this circle when it draws up the final constitution.

Second, there are at least some grounds for hope that a healthier political climate can now develop, in which the ANC, rather than indulging in winner-takes-all triumphalism, will face real electoral competition – not least in Natal. If the result is more substantial political checks and balances than hitherto appeared likely, that will be all to the good.

Third, yesterday's agreement – due in part to the good offices of a Kenyan negotiator – showed the potential worth of international mediation. It may well be needed again after the election to assist with the constitutional problem. South Africa's political crisis has been defused, but not yet resolved.

# Fudging the Post

The so-called "BP option" for privatising the British Post Office seems to be gaining ground. This, it may be recalled, would involve the government floating a minority stake in the Post Office while retaining majority control, as it did with BP until the 1980s.

According to the Post Office, this would satisfy two conflicting objectives. On the one hand, the public is mostly hostile to full privatisation, on the grounds that it might jeopardise the service. On the other, the Post Office seems to be winning converts to its argument that public ownership prevents it from investing in new forms of electronic and computer mail, without which it risks becoming a dinosaur.

The BP option, it is argued, would free it financially while leaving responsibility for its operations with the government. Thus, the more timid Tory backbenchers might be induced to vote for it on the grounds that it is neither quite one thing nor the other.

Financial freedom certainly seems justified. Last year, the Treasury allowed the Post Office to invest only three-quarters of what it wanted to. This may seem bizarre for a consistently profitable operation which has no debt and over £500m in cash. But in the curious world of the Treasury any investment is undesirable, since it contributes to the nation's budget deficit. Meanwhile, the annual dividend which the Treasury extracts from the Post Office – currently £181m, or virtually the whole of its net profit – is by private sector reckoning imprudently high.

The other side of the argument is less satisfactory. It is by no means clear that majority government ownership would in fact offer safeguards to the opponents of privatisation.

Doubtless, the government would nominate a couple of directors to the board. Certainly, the Treasury would have to settle for a more realistic dividend. But privatisation is an all-or-nothing process. Once the government had brought in outside investors on a commercial footing, it would find it very hard to interfere with the Post Office's operations on anything other than a commercial basis. This would be as true if it sold 10 per cent as if it sold the lot.

On a slightly cynical view, this is an argument in the BP option's favour. One need only look at the mechanics of even a partial privatisation to see the benefits. The prospectus would have to set out the Post Office's ambitious plans to invest in new technology and expand overseas, thus submitting to objective scrutiny a strategy whose outlines have so far been left studiously vague. It would have to set out the terms on which the Post Office would be regulated. Above all, it would have to specify how far the Post Office's monopoly would be left in place.

As an attempt to fudge the issues, the BP option is questionable. As a means to an end, it might just work.

# Russia's CIS

Russia has waited two and a half years, but its patience is being rewarded. Its surrounding peoples, many of them long accustomed to its domination, are now willing to trade a diminution of their new-found independence for what they hope will prove a less rigorous economic regime.

At the summit of the Commonwealth of Independent States last Friday, Russia considerably advanced what it sees as its interests. All the CIS states are now in the economic union, though terms vary. All have agreed to work towards a customs union. Most have agreed that Russian troops can guard their external borders.

We have not returned to Soviet days. The meetings are not mere shows of unanimity: the leaderships of Kazakhstan and Ukraine have substantial differences with Russia, and say so – if less forcefully than they once did. But it has become fashionable for the Russian political class to refer contemptuously to the "romantic period" after the fall of the Soviet Union, when Russians and others believed a rapid transition to democracy and market economics would save them all.

Yet it is not romantic to believe that Russia will not thrive while it remains both imperially-minded and authoritarian. It is also not romantic to argue that Russia cannot afford to support economies in worse shape than it own; that it courts still greater violence by intervening in every surrounding theatre of war; and that it should show its determination to become a normal state by encouraging the formation of healthy statehood in its weaker neighbours.

The romanticism lies, instead, in the return to an undefined but strongly felt "great power" status, increasingly peddled in Russia. As the dwindling band of democrats has stressed, the re-emergence of imperial Russia would vitiate its fragile new political institutions and break the back of any rational financial policy. That Russia is an important state is in no doubt: that it has large interests is beyond question; but that it should respect the sovereignty of its neighbours is a *sine qua non* of both its and everyone else's security.

The decisions of the CIS members states on Friday were not yet to re-constitute the Soviet Union. Even the closest union agreed so far, between Russia and Belarus, may not reach that point. In any case, creation of rational economic links among countries seriously engaged in reform would be highly desirable. A judgment needs to be formed on whether the current development of the CIS offers such economic links or rather a collective effort to evade the need for reform.

Russia's behaviour towards its so-called "near abroad" has again become a central issue in defining the country's relations with the west. In response the west will need to draw lines, on the scale of economic assistance and in terms of its military and diplomatic posture. These are now difficult, but inescapable judgments.

US investment banks are increasingly dominant in European financial markets, say **John Gapper** and **Norma Cohen**

# They've really got a hold on EU

Along Fleet Street, where Britain's national newspapers used to dominate the skyline, a new set of institutions has moved in. By taking the place of the Daily Telegraph and others, US investment banks such as Goldman Sachs are changing the face of the City. It is not the only way in which they are upsetting traditions in financial centres across Europe.

The boom in securities markets over the past two years has allowed the American "bulge bracket" firms – so called because they have the lion's share of the US investment banking business – to strengthen their grip in Europe. They have achieved it so effectively that European merchant banks which once dismissed them as a competitive threat are increasingly struggling to keep up.

Perhaps more than anything, what the US banks have brought to London is the blueprint for life after the Big Bang deregulation of the City in 1986. "The Americans brought us the integrated securities house," says Mr Nick Verey, director at investment bank S.G. Warburg, one of the UK firms which itself has set out to follow the blueprint.

The US model of investment banking – combining stockbroking, underwriting, trading, corporate advisory and fund management services under a single roof – was unheard of in London before deregulation. This model has been imitated by many European firms, but some are still struggling to combine the roles of different financial specialisms.

The US push into Europe has been well-rewarded in the past year. Their corporate finance arms that advise on acquisitions and help companies to raise capital have gained business from the wave of cross-border transactions and privatisations. At the same time, the securities broking operations of US firms have made windfall profits in buoyant trading conditions.

This is in sharp contrast to the late 1980s when several US investment banks arrived in London after Big Bang. Some made costly errors competing with established players in gilt-edged market-making and corporate bond underwriting. They also found it hard to dislodge old loyalties between companies and their merchant banks.

Yet few European banks now underestimate the force of the competition from the US. The difficulties encountered by US firms in London forced them to build pan-European operations. "For us, European work was everything, so we went at it with intensity," says Mr Richard Sharp, Goldman Sachs' chief operating officer for European investment banking services.

The question is whether US investment banks will maintain their commitment to Europe in harder times. The tightening of US monetary policy in the past two months has disrupted capital markets while European privatisations and corporate restructuring are likely to subside in the long term. "The US partners of these firms may get sick of Europe pretty fast as soon as profits flag," says a director of one European bank.

A number of reasons lie behind the strong push into Europe by the US firms in the 1990s:

- The control exercised by "bulge bracket" firms over equity and bond underwriting in the US market brought them strong profits from which to finance expansion. Despite fierce competition, the US markets are more profitable for investment banks than those in Europe. Equity underwriting fees in the US range between 5 per cent and 7 per cent of the value of the transaction, compared with about 1 per cent in Europe, and the volume of capital market issues is far higher.

This gives them two advantages. One is strong capital with which to underwrite securities transactions. A second is that they have cash to expand – and can even afford to make errors. "They have got extremely deep pockets, and they can devote resources of the highest quality," says Mr James Sassoon, a director of S.G. Warburg.

US firms' influence with investors in the US means that European companies raising capital – and governments privatising enterprises – often need their help. "Governments tend to hire the flagship local bank first, and then a US firm to make sure the transaction gets done," says Mr Kevan Watts, head of investment banking in Europe for Merrill Lynch.

- The large number of graduate business schools gives US firms access to a wide pool of trained staff. "It helps to have a lot of skills, and that needs mass," says Mr John Studzinski, managing director of Morgan Stanley's financial advisory arm in London.
- US firms pioneered techniques of valuing companies and their subsidiaries during takeover battles in the 1980s, and retain an edge over some European firms. "We tend to have a different approach to valuation and tactics from some Europeans. We are more free-thinking, and we fight for the highest price," says Mr Alan Gillespie, a managing director of Goldman Sachs.
- The US firms brought with them expertise in the design and trading of derivatives. The growth of the London Financial Futures Exchange (Liffe) coincided with the rise of US firms in London, and although futures and interest rate and currency swaps were well established, trading in these products was largely engineered by the US houses.

European derivatives trading exchanges have gained trading volume from US participation. "Before the Americans, there was no such thing as a "local" on the floor of Liffe," recalled the head of one commodities house. Locals are individuals who trade financial futures purely for speculative purposes and are credited with providing much of the liquidity and momentum needed for trading.

Although the US banks remain selective – concentrating on advising the biggest blue chip companies and trading only in selected bond and equity markets – these factors have led to their rapid growth in Europe. Goldman Sachs' operation in London has grown from 150 staff a decade ago to 1,750 today. Last year Merrill Lynch made 20 per cent of its pre-tax profits in Europe and the Middle East compared with 10 per cent in 1991.

US firms still carry out advisory and underwriting work mainly in cross-border transactions, but they have established some hold in domestic markets from which they were earlier excluded. Even in Britain, which has a long merchant banking tradition, banks such as Schroders and S.G. Warburg face a threat to their traditional monopoly of large industrial companies.

Mr Gillespie of Goldman Sachs says big UK companies now tend to employ a US firm as well as their merchant bank. "For a while the merchant banks fought against it, but they accept it now," he says. "Having someone in the room who does not think just from the perspective of south-east England can be a useful stimulus," says Mr Watts of Merrill Lynch.

Yet the US banks face obstacles to reinforcing their hold in Europe. One difficulty is that they are costly operations which recoup expenses by charging high fees. There is still some resistance to this among European companies. "Americans accept fees as a fact of life. Europeans have to be convinced of the value they are getting," says Mr Studzinski.

A second difficulty is that European banks can learn the techniques which give US banks an edge. An example is the US practice of bookbuilding – canvassing institutional funds to establish the best price for an equity issue – which has now been copied in Europe by banks such as S.G. Warburg.

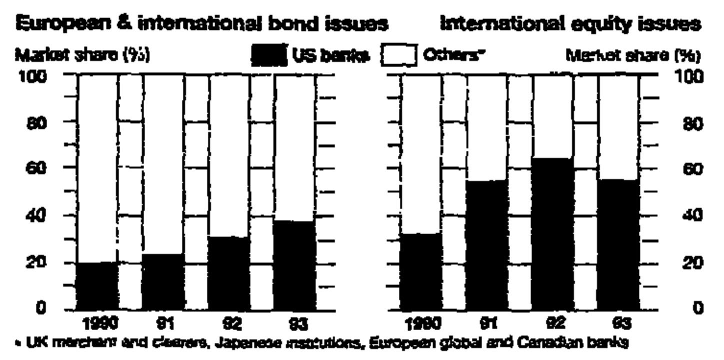
Perhaps most important, European banks can still play effectively on the perception that US firms lack commitment to European markets, and fail to understand them fully. Mr Guy Dawson, head of corporate finance at Morgan Grenfell, the UK merchant bank owned by Deutsche Bank, says that German companies may still harbour doubts about US rivals.

"All other things being equal, European companies prefer to deal with European banks, if they are credible institutions. A German company knows we're there to stay," he says. US banks argue perceptions are changing since some have now been around for several decades. "The new kid on the block argument wanes after a few years," says Mr Sharp of Goldman Sachs.

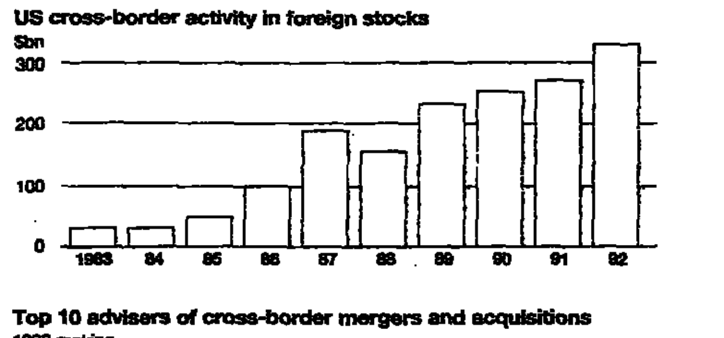
Yet the argument will resurface if the unhappy turn in the bond and equity markets leads US banks to retrench in Europe. Some Europeans argue that their US rivals remain relatively unstable institutions, driven by a trading ethos rather than commitment to long-term client relationships, and vulnerable to defections by highly-paid staff in bad times.

"On the whole, the American firms are very fragile. They are run on an explosive mixture of fear and greed, and are hard to hold together when things get tough," says one director of a European bank. US firms' commitment may be more enduring this time, but increased competition in less stable capital markets will test their appetite for Europe.

## US investment banks: the force is with them




* UK merchant and clearers, Japanese institutions, European global and Canadian banks




Top 10 advisers of cross-border mergers and acquisitions
1993 ranking

| | | | |
|---|---|---|---|
| 1 | Morgan Stanley | 6 | First Boston/CSFB/CS |
| 2 | Wertheim/Schroder | 7 | J.P.Morgan |
| 3 | Morgan Grenfell | 8 | Lazard Houses |
| 4 | S.G.Warburg | 9 | Lehman Brothers |
| 5 | Goldman Sachs | 10 | Hambros |

Source: Global Investment Banking, Salomon Brothers (February 1994)

# Overworked and over here

In the days before Big Bang, before US investment banks launched their assault on London, a contemporary joke went like this:

Question: Why does a stockbroker never hold meetings on Wednesdays?

Answer: Because that would ruin two weekends.

British bankers say the joke would fall flat today – when the Americans arrived they brought a work ethic that quickly ended three-hour lunches with wine, and a work day lasting from 10am to 5pm.

Mr Bob Gibson, chief executive of ESN Pension Scheme, the UK's second largest scheme, says US investment banks have no such thing as a social lunch. "It could be a five-course lunch, but they are continually handing you documents while you get cabbage all over them," Mr Gibson says.

British clients of the US banks have now adopted some of their more ascetic and businesslike customs. "We were told you had to offer alcohol to the Brits," said one American investment banker. "But now we find that they also don't drink it."

The change in ethos has been under way since the late 1980s, but it is now solidly entrenched in City custom. Beyond the visible trappings of corporate behaviour – the mineral water, the fascination with squash courts – London bankers say they have had to adopt the robust American approach to competition and conducting business.

For instance, unlike some European counterparts, US investment banks do not think it unseemly to say how keenly they are seeking business, and are adept at aggressive sales pitches to investors.

Calpers, the California state employees retirement fund which is the largest US public sector pension scheme, gives prospective fund managers only 15 minutes for a sales pitch. "After that, it's like the old-fashioned burlesque shows – a big sack comes down and you're out," one fund manager says.

The importing of US business culture has had other effects. The Wall Street practice of taping telephone conversations on trading desks – useful in a dispute about what deal was struck – has now been adopted by most London houses.

And while some US firms have been aware their style can grate on clients and competitors, most have taken pains to preserve elements of their corporate culture.

"When we came here we didn't want to be the Ugly American," said a Goldman Sachs partner. "But every European we hire we send to the States for between three and nine months. We want them to be Goldman Sachs employees." A major aspect of this staff management is to develop a team ethos, integrating various specialities.

Mr Walter Gubert, head of Europe for J.P. Morgan, says US firms venturing abroad must learn to mix their approach to markets with an understanding of local culture.

"Over time, the firms that will win are those that do not just import techniques, but adapt them to the local culture," he says. "Banks need a multi-cultural group of people. The management challenge is to motivate them and make them work together even though they are English, Italian and German and sit in different offices."

But most banks do not allow such bows in the direction of cultural sensitivity to undermine the aggressive pursuit of business.

Mr Alan Gillespie, Goldman Sachs managing director for UK investment banking services, says: "We do a lot of initiating of ideas, whereas if a chief executive wants advice from his merchant bank, he often has to ask them to come round".

US investment bankers can also be less willing to take no for an answer. "The European attitude if you do not get a piece of business is, 'I'm terribly sorry. How could we have done better?' The Americans often send another Concorde load over from New York to argue," says one European banker.

Perhaps, some bankers argue, the nature of the marketplace in London has changed significantly since Big Bang, and US investment bankers are better suited to thrive in it. Mr Richard Sharp, Goldman Sachs chief operating officer for investment banking services in Europe, says US firms have an advantage because they have years of experience in similar conditions.

Since Big Bang and the arrival of integrated securities firms, investment bankers have had to think not only about making a specific sale but whether that sale could also lead to business in other parts of the bank. US investment banks' longstanding team approach gave them a head start over those still viewing the markets in a fragmented fashion.

"It is not to do with being American, but with a culture of trading and risk taking," Mr Sharp says. "The liquidity of the US markets gives us the experience and self-confidence to build businesses here. We know the profits that can be made"

# OBSERVER

## Strategic Betting

■ Mike Bett, former deputy chairman of BT and current president of the Institute of Personnel Management, has just taken on one of the most delicate missions of his career; he is to head the UK government's review body into military pay and conditions.

He's been on duty for less than a month but a few clues to his campaign can already be gleaned from the latest issue of Personnel Management Plus magazine. It could turn out to be explosive stuff.

"If the civilian organisations are developing flatter structures with fewer layers, perhaps we should be asking whether the same should be happening in the forces," he says in the magazine. What does that mean – farewell to captains, colonels and the officers' mess? Bett refuses to put his head above the parapet on that one.

More intriguingly, Bett has also been put in charge of looking at performance-related pay for the armed forces. So let's welcome the new model army: bonuses rather than medals for especial valour; extra cash for particularly smart saluting; an army marching on its share options; empowered lions; redundant donkeys.

"I'm only 18 days into the thing . . .," says Bett, who insists that he's only following orders, in his case the terms of reference of the review.

If you thought Sir Patrick Sheehy's report on police pay and conditions was controversial, wait for this one.

## Anglo's politico

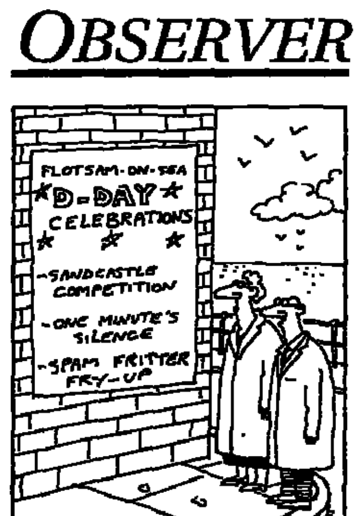
■ The tentacles of Anglo American, the powerful conglomerate, extend beyond the boardrooms of South Africa and into Union Buildings, the seat of government in Pretoria where yesterday's historic deal which brought Chief Buthelezi into next week's elections was signed.

Standing discreetly in the background, having taken a close and informed interest in the proceedings that led to the breakthrough was none other than Michael Spicer, an Anglo director possessed of one of the keenest political brains in the country.

## Patten of dissent

■ Not even John Patten's *alma mater* likes his ideas very much. As education secretary, Patten has spearheaded the Tory government's policy of persuading Britain's state schools to opt out of local authority control.

But parents at Patten's old school – Wimbledon College, a Catholic boys' school in south west London – have voted against parting company with the Labour-controlled borough of Merton. Last year John Major was similarly




embarrassed when his old school, Rutlish, also voted against opting-out.

Patten was flogged by the Jesuits who run Wimbledon College for his poor performance in mathematics. Inhuman or degrading corporal punishment is now illegal under the 1993 Education Act; fortunately there is as yet no ban on public humiliation of former pupils.

## Fans in Spain

■ Spain's Repsol oil company is sounding a mite defensive over the choice of Ronaldo Schmitz to grace its new international advisory board. Schmitz's recent claim to fame is, of course, as supervisory board chairman of Metallgesellschaft, the German company that teetered on the brink of collapse after dropping DM2.3bn in the oil futures market.

Repsol invited him to join several months ago on the grounds of his experience in the chemical industry and as a board member of Deutsche Bank – "not as an oil specialist". Schmitz does speak Spanish, and headed BASF's Barcelona subsidiary in the mid-1970s.

The new board, which includes Cookson chairman Bob Malpas and the Catalan head of Nestlé's food division Ramon Masip, has so far met only once. Schmitz, as it happens, was unable to attend since he was at a pressing meeting – with Metallgesellschaft.

## Style wars

■ The world of advertising can breathe more easily; the sensitive souls of the Advertising Standards Authority can sleep more easily in their beds at night; and the feature writers of the world's press will have to turn elsewhere for whacky Italian copy.

For photographer Oliviero Toscani, 53, says he has resigned from Benetton, going in a huff after clashing with Aldo Palmeri, managing director of Benetton's unusual magazine Colors.

Toscani was behind Benetton's controversial advertising campaigns which featured such things as human genitals and a dying AIDS patient. Apparently he's fed up because "like all accountants [Palmeri] knows nothing of creative work. He has stuck me with a small-time publisher that can't even get the office toilets to work".

The feeling is mutual it seems. Says Palmeri: "To understand business management, you need an education, you need to read books, but Toscani's cultural level is simply sub-human."

Boys, boys – it's only advertising, after all.

## Rip-off yarns

■ Does crime pay, even 20 years on? The BBC and London University are charging £25 per head for a conference this month on the Watergate affair. Star attractions include John Dean, President Nixon's former legal counsel, and Jeb Magruder, billed as "the man who gave the Watergate burglars their orders".

## Mystery

■ The Northern Development Company in Newcastle reports that local companies "optimisticly" view the longer-term regional economic outlook, in spite of a dip in training expenditure. To make their forecast, they presumably used a crystal ball belonging to an optimystic . . .

FINANCIAL TIMES
Wednesday April 20 1994



## Monetary control leads to fall in inflation

# Russia expects release of $1.5bn IMF loan

By John Lloyd in Moscow

The Russian government expects the board of the International Monetary Fund to release today a $1.5bn loan, agreed provisionally last month with Mr Michel Camdessus, the IMF's managing director.

The loan represents an act of faith by the IMF in the government of Mr Victor Chernomyrdin, and is meant to encourage international financial institutions and private investors to step up activity in Russia. The World Bank is expected to lend $2bn this year, and there are signs of increased financial investment in Russian companies.

The government has fulfilled the relatively light conditions imposed upon it by Mr Camdessus and has also kept tight control of credits and money supply. It has signed a memorandum with the IMF on its economic policies for the rest of this year, and has laid before its parliament a series of decrees which would raise the budget revenue by Rbs20,000bn from its present level of Rbs120,000bn.

The memorandum sets limits on the issuing of central bank credits to the government and to commercial banks which have resulted in falls in monthly inflation from about 20 per cent a month to the present 7 per cent.

A budget has been passed "in principle" by the state Duma, with the demand that estimated spending of Rbs180,000bn be raised and that the budget return to the Duma in two weeks' time. This tug-of-war is expected to continue until the summer.

However, both foreign and international observers fear that the pressure on the budget will soon prove insupportable, especially when the agrarian lobby demands money for harvesting and subsidies are paid to Arctic circle cities before the winter sets in. In addition, many large enterprises which are now lying idle for lack of supplies and customers, are threatening massive lay-offs if they are not supported.

The most evident of these is the giant Zil plant, famous for producing massive limousines. In a passionately angry interview in the daily Trud yesterday, Mr Yevgenny Brakov, the Zil general director, accused the government of forgetting the plant and interfering with its attempts to attract foreign partners.

In a graphic illustration of the decline of the company, he said that the production of its trucks had more than halved between 1985 and 1993, from 212,000 to less than 100,000 – and continued to fall sharply this year.

# Molyneaux sees end 'in year' to Ulster violence

By Michael Cassell in Belfast and Jimmy Burns in London

Terrorist violence in Northern Ireland could end within a year, Mr James Molyneaux, leader of the Ulster Unionist party, predicted yesterday.

Mr Molyneaux, who was speaking in Washington, added to a series of recent upbeat predictions about an end to terrorism made by politicians and security forces in the province since the IRA's recent three-day ceasefire.

In a particularly optimistic forecast, which caused some surprise in Ulster last night, Mr Molyneaux said he believed violence would soon begin to decline.

He stressed he was not ruling out "the occasional Mafia-type operation" but said that, once terrorist violence was over, the "one united community in Northern Ireland – protestant, catholic, no religion at all – will sit very firmly on anyone who seeks to disturb the settlements which are now beginning".

Meanwhile, British and Irish police yesterday carried out a series of raids as part of an unprecedented co-ordinated security crackdown on funding for the IRA.

Scotland Yard said that a substantial quantity of drugs, cash, stolen property and financial instruments were recovered from 41 addresses in the Irish Republic, Northern Ireland, north-west England, London and the county of Surrey. There were eight arrests.

The raids involved 1,000 officers drawn from police on both sides of the Irish border, including the Royal Ulster Constabulary's anti-racketeering squad, the Metropolitan Police anti-terrorist squad and three UK regional squads.

The raids were part of an joint operation codenamed Operation Madronna. This has involved more than a year of covert investigation, also involving the British security service M15, into suspect sourcing of several millions of pounds of funding for the operations of the IRA.

A joint police statement last night described the raids as the first time the RUC's anti-racketeering squad had mounted an operation involving so many forces.

# Trafalgar House-led group wins Tagus bridge contract

By Peter Wise in Lisbon

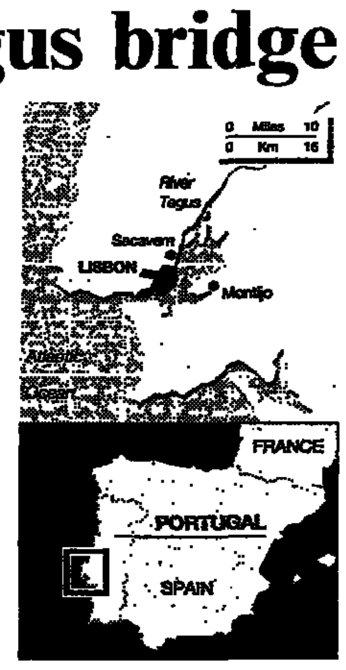
Portugal yesterday chose a group led by Trafalgar House of Britain to build and operate a Es180bn ($1.04bn) toll bridge over the river Tagus near Lisbon, one of Europe's largest privately financed infrastructure projects.

The consortium, Lusoponte, is to complete the 12km bridge, the longest continuous fixed river crossing in Europe, by March 31 1998, in time for Expo '98, which is to be held in Lisbon.

Mr Joaquim Ferreira do Amaral, public works minister, said the European Union was committed to paying about half the cost of the project, calculated at projected 1998 prices, out of the cohesion fund for aiding the development of poorer EU members.

The remainder of the investment will be made by Lusoponte, which has the financial backing of five Portuguese institutions and 11 international banks. The contract includes a concession to operate the existing April 25 toll bridge in Lisbon.

Lusoponte's proposal for a 30-year concession on the new bridge is yet to be ratified by the Portuguese cabinet. It plans to




charge an initial toll of Es330 for a two-way crossing of the new bridge. The current toll on the April 25 bridge is Es100 and is the only link between Lisbon and the south of Portugal.

One other consortium short-listed was led by Bouygues, the French construction company. But Mr José Manuel Serrão of Gattel, the state-owned concession company said: "Small differences over the technical specifications of the bridge clinched the deal." "The two proposals were otherwise very similar," he added.

Trafalgar House, owns 25 per cent of Lusoponte. H. Hagen, a Portuguese subsidiary of the French company Campenon Bernard, also holds 25 per cent and will be in charge of construction.

Bento Pedroso Construções of Brazil owns 13 per cent of the consortium. The remainder of the capital is divided equally among four Portuguese companies: Edifer, Mota & Companhia, Somague and Teixeira Duarte.

The six-lane bridge will cross the Tagus estuary from Sacavem on the eastern outskirts of Lisbon to Montijo on the southern bank, where the river is 10km wide. The central section will be a cross-stayed span 400m long and 35m-high between two towers. Lusoponte will build 6km of approach roads as well as the 12km bridge.

Shares in the Portuguese companies with a stake in Lusoponte rose sharply on the Lisbon bourse yesterday.

# Yeltsin calls for summit to solve Bosnian crisis

Continued from Page 1

an ominous measure of their new-found disdain for threats from both west and east, raided a UN encampment near Sarajevo and took off with 18 anti-aircraft guns. The weapons were handed to the UN six weeks ago after the Serbs had been forced to ease their siege of the Bosnian capital.

About 150 Serbs were involved. "They were simply overrun," said a spokesman for the UN forces in Bosnia. "If they had fired, it would have been a massacre."

Mr Clinton was said to be determined to pursue diplomatic courses. Ms Dee Dee Myers, his press secretary, said the president believed that a negotiated settlement was "the only way to end the cycle of violence".

Officials at Nato headquarters in Brussels were being equally circumspect despite an appeal from Mr Boutros Ghali for authority to call air strikes to protect civilians in all six Moslem "safe areas" in Bosnia.

This would significantly extend the UN mandate for military action, Nato officials said. The mandate is currently restricted to calling for close air support to protect UN peacekeepers on the ground.

Military experts would have to study whether it would be possible to protect the six UN "safe areas" – Sarajevo, Tuzla, Srebrenica, Zepa, Bihac and Gorazde – without significant increases in peacekeeping troops.

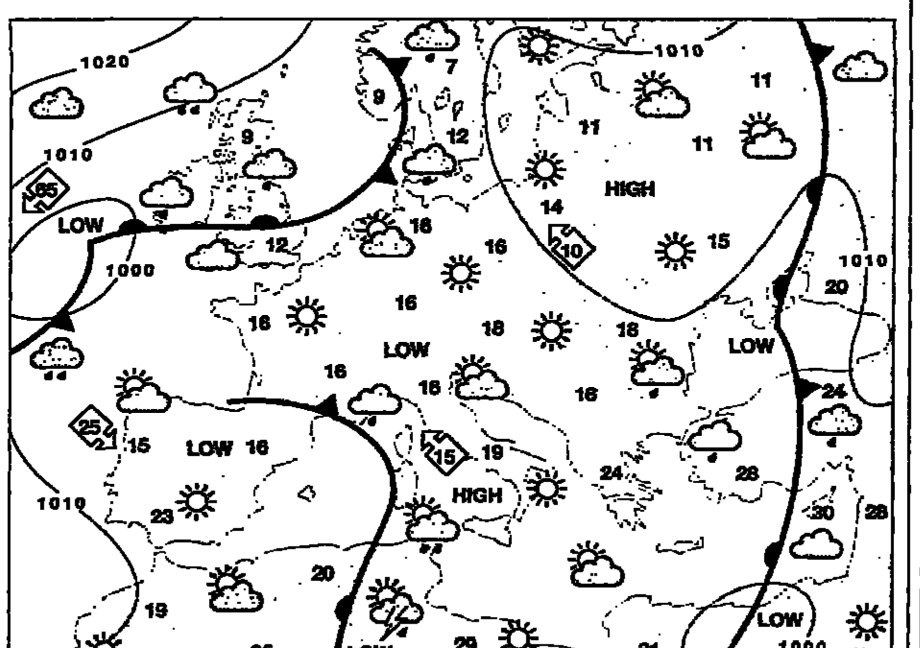
## FT WEATHER GUIDE

### Europe today

Norway will be cloudy with rain at times but Sweden and Finland will have sunny spells. The British Isles will be overcast with outbreaks of rain owing to a depression south-west of Ireland. Cloud associated with this depression will also cover the western Benelux and western France. The eastern Benelux will see some sunshine. Central Europe, the western Balkans, Italy and Greece will have abundant sunshine but showers will develop over the eastern Balkans. Southern France, north-west Spain, northern Algeria and northern Tunisia will have a few showers, but western Spain, Portugal and central France will remain dry with frequent sunny spells. A depression over Turkey will give overcast skies and some rain.

### Five-day forecast

A depression over the Atlantic will cause a strengthening southerly current over western Europe. As a result, temperatures will rise well above normal over the weekend. There will be sunny spells at first but, from Friday, Spain and Portugal will have thunder showers which will expand northwards during the weekend. Central Europe and the Balkans will have sunny spells with isolated showers. Scandinavia will have some rain but conditions will improve during the weekend.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | fair | 19 | Caracas | fair | 27 | Edinburgh | rain | 10 | Madrid | sun | 18 | Rangoon | fair | 36 |
| | | Celsius | Belfast | rain | 10 | Cardiff | rain | 11 | Faro | sun | 18 | Majorca | shower | 18 | Reykjavik | cloudy | 2 |
| Abu Dhabi | fair | 34 | Belgrade | shower | 15 | Casablanca | cloudy | 19 | Frankfurt | sun | 17 | Malta | fair | 20 | Rio | rain | 24 |
| Accra | shower | 32 | Berlin | sun | 16 | Chicago | sun | 15 | Geneva | shower | 16 | Manchester | rain | 11 | Rome | sun | 18 |
| Algiers | shower | 19 | Bermuda | fair | 22 | Cologne | sun | 16 | Gibraltar | fair | 19 | Manila | cloudy | 34 | S. Frsco | cloudy | 15 |
| Amsterdam | cloudy | 14 | Bogota | cloudy | 18 | D' Salaam | cloudy | 33 | Glasgow | rain | 11 | Melbourne | shower | 17 | Seoul | fair | 20 |
| Athens | sun | 24 | Bombay | sun | 34 | Dakar | fair | 28 | Hamburg | fair | 15 | Mexico City | fair | 26 | Singapore | shower | 32 |
| Atlanta | sun | 28 | Brussels | fair | 14 | Dallas | thund | 25 | Helsinki | fair | 8 | Miami | cloudy | 27 | Stockholm | fair | 10 |
| B. Aires | fair | 26 | Budapest | sun | 18 | Delhi | fair | 35 | Hong Kong | cloudy | 25 | Milan | shower | 19 | Strasbourg | fair | 18 |
| B.ham | rain | 11 | C.hagen | cloudy | 11 | Dubai | fair | 32 | Honolulu | fair | 24 | Montreal | rain | 6 | Sydney | cloudy | 17 |
| Bangkok | cloudy | 36 | Cairo | sun | 42 | Dublin | rain | 11 | Istanbul | shower | 20 | Moscow | cloudy | 11 | Tangier | cloudy | 18 |
| Barcelona | shower | 15 | Cape Town | cloudy | 20 | Dubrovnik | fair | 19 | Jersey | cloudy | 9 | Munich | sun | 16 | Tel Aviv | fair | 34 |
| | | | | | | | | | Karachi | fair | 36 | Nairobi | cloudy | 28 | Tokyo | fair | 19 |
| | | | | | | | | | Kuwait | fair | 33 | Naples | sun | 19 | Toronto | shower | 5 |
| | | | | | | | | | L Angeles | fair | 20 | Nassau | cloudy | 29 | Vancouver | shower | 17 |
| | | | | | | | | | Las Palmas | fair | 22 | New York | cloudy | 16 | Venice | fair | 19 |
| | | | | | | | | | Lima | cloudy | 22 | Nice | shower | 16 | Vienna | fair | 18 |
| | | | | | | | | | Lisbon | sun | 17 | Nicosia | shower | 30 | Warsaw | fair | 15 |
| | | | | | | | | | London | cloudy | 13 | Oslo | rain | 8 | Washington | fair | 18 |
| | | | | | | | | | Lux.bourg | fair | 15 | Paris | fair | 16 | Wellington | cloudy | 17 |
| | | | | | | | | | Lyon | shower | 15 | Perth | cloudy | 28 | Winnipeg | sun | 12 |
| | | | | | | | | | Madeira | fair | 19 | Prague | sun | 16 | Zurich | fair | 16 |



## THE LEX COLUMN

# Just kidding

There are red faces at Kidder Peabody over its phantom $850m profits. Though the US investment house does not appear to have lost money as a result of the scam, the fake earnings helped mask a poor performance in the business as a whole. Kidder is now in the unhappy position of having to report first-quarter losses of roughly $140m. Top management has been quick to blame its predicament on Mr Joseph Jett, the firm's former chief bond trader who has now been fired. But it seems that Kidder's controls and incentives were not best designed to minimise the risks of this sort of scam.

Part of the problem is that top management did not question the wonderful trading strategy that was generating such fabulous profits. Now that it has done so, it has discovered it was based on exploiting a glitch in Kidder's accounting system which allowed Mr Jett to book profits that did not exist. The suspicion is that Mr Jett's colleagues, happy that his contribution was helping turn around the overall business, were too willing to suspend disbelief.

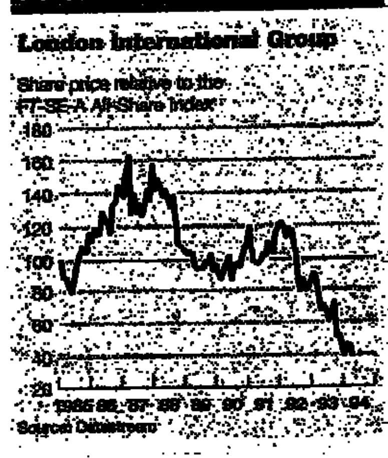
Kidder's remuneration system may also have played a part. Mr Jett's salary and bonus – $9m last year – were closely tied to the profitability of his unit and most of it was paid in cash. The trend in the industry is away from cash bonuses and towards paying in shares that can only be cashed after a period of years. The main motive is to deter stars from jumping ship to rival firms. But Kidder's embarrassment should provide another motive. The closer an individual's interests are aligned with those of his firm, the less incentive that person has to book profits that are not sustainable in the long run.

### Property valuation

Any professional body which examines its working practices and recommends that its members should work harder to produce vaguer conclusions should be treated with suspicion. For that reason, it would easy to dismiss the Royal Institution of Chartered Surveyors' review as a charter for fatter fees and greater obfuscation. It certainly seems odd that the authors felt it necessary to make 43 densely argued recommendations if their chief aim was to encourage greater credibility, reliability and clarity.

The need for surveyors to justify their valuation techniques was plain to see following the Queens Moat

**FT-SE Index: 3128.0 (-10.2)**




Houses fiasco. To its credit, RICS has faced up to that challenge and consulted widely with its clients and other related professions. The recommendations encouraging the wider dissemination of data and the principle of greater disclosure are particularly welcome. It would be a fine thing indeed if surveyors could provide fuller and more regular explanations of their valuations in company accounts.

RICS is also candid enough to admit that the supreme objective of valuation – accuracy – may always elude the surveyor's grasp. Yet that does not matter. After all, if everyone agreed about a property's precise value there would be no market. It is the very imperfections in valuations which produce both buyers and sellers. The task of the valuer must be to produce comprehensive and objective data about which investors can honourably disagree.

### Pechiney

Last year's full-year loss shows why Pechiney has not been in the vanguard of French privatisation. While investors have been offered shares in other cyclical companies, privatising the aluminium group while it is loss-making would be politically sensitive.

That logic may explain Pechiney's enthusiasm for its proposed merger with Compagnie Nationale du Rhône, the electricity generator. In addition to making earnings less volatile, an early deal might help Pechiney report a profit this year and open the way for privatisation.

In other respects, though, merger with CNR might harm Pechiney's case. Adding utility earnings to the mix would dilute the group's recovery potential just as aluminium prices are starting to turn. In an era of demergers, international investors in particular could view the exercise as unnecessary. Pechiney's previous attempts at diversification have not changed its essentially cyclical nature. A large part of Pechiney's swing into loss arose from problems at American National Can, acquired in 1988 as part of a wider move into packaging.

Without CNR, Pechiney's prospects turn on action now being taken to relieve overcapacity. The aluminium price will only sustain its recent rise if cuts promised by large producers are seen to stick. The timing of recovery is thus uncertain. But that should not in itself be a hurdle to eventual privatisation if Pechiney has the patience to wait.

### London International

The story of London International Group is really one of two different businesses. The photo-processing side, built up in the early 1980s when condoms seemed to be going out of fashion, has brought it to the brink of disaster. LIG's net assets will be more or less wiped out by the cost of disposal. The condom and surgical gloves business is in theory now a growth activity in a market in which LIG is a world leader. That represents value which LIG and its advisers will surely be anxious to stress during the looming restructuring.

The trouble is that LIG's condom business is not actually thriving at the moment. Net operating margins slid below 3 per cent in the first half. Italian pharmacists have been de-stocking as extra healthcare charges bite and there have been other local difficulties in the US. On the most optimistic assumptions, it will be the year after next before margins recover to a more reasonable 15 per cent.

At the present level of sales, that would give operating profit of only around £37.5m, less than the group has generated since 1989. The multiple implicit in yesterday's closing price of 121p thus looks heroic. Those anxious to look on the bright side might prefer to value the business at twice sales given LIG's valuable condom brands. After adjustment for debt, that would value the shares at over £2. But the price/earnings multiple would then defy gravity, especially given the massive dilution existing holders are likely to suffer in the restructuring.

FINANCIAL TIMES
# COMPANIES & MARKETS
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Wednesday April 20 1994



## IN BRIEF

### Turbulent markets hit Citicorp

*Trading income at Citicorp, the US* bank, fell nearly $400m in recent weeks because of turbulent foreign exchange and fixed *income markets. How*ever, three other US banks – Chemical Banking, Banc One and Wells Fargo – reported *growth* in first-quarter earnings. Page 18

**Pechiney falls into loss**
Pechiney, the French state-owned aluminium group, fell into a *net loss of FFr980m ($167m)* last year, from a profit of FFr203m. Page 16

**Schneider 'found'**
Germany's banking system is facing a "crisis *of confidence" after the bankruptcy of the* Jürgen Schneider property empire, Mr Günter Rexrodt, *the economics minister, warned* yesterday. A German newspaper has claimed to have discovered the whereabouts of Mr Jürgen Schneider, the entrepreneur whose disappearance triggered the property crisis. Page 16

**Philip Morris beats expectations**
*Net income at Philip Morris, the US food and* tobacco group, was better than analysts expected, falling just 3.5 per cent to $1.17bn in the quarter to March. Page 18

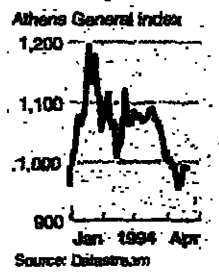
**Mixed results for US drugs groups**
Merck and Warner Lambert, two of the biggest *US pharmaceutical companies, saw steady first-*quarter performances, thanks to acquisitions and joint ventures, *while American Home Products* showed little improvement. Page 18

**Reliance rises 79%**
Reliance Industries, the chemicals and textiles conglomerate which is India's biggest private sector company, announced a 79 per cent increase *in net profits for the year, due to sharp increases* in sales and production capacity. Page 20

**St Ives lower after disposal**
St Ives, the UK's largest independent printer, reported lower interim pre-tax profits of £6.69m ($9.9m) despite an improvement at the operating level, mainly because of losses on the disposal of discontinued business. Page 22

**Ibstock Johnsen optimistic despite loss**
Ibstock Johnsen, the UK's third largest brick maker, reported a pre-tax loss of £18.7m ($27.6m) for 1993 after further reorganisation costs of £20.7m, but said its brick and pulp businesses should benefit from an increase in demand. Page 23

**Greek equities troubled**



Source: Datastream

The Athens Stock Exchange bottomed out at 954.39 last week, down 20 per cent from its high of 1,194.58 in mid-January. Equities have been troubled by bad news from the Balkans and aspects of the socialist government's fiscal package, in particular, a proposal to tax dividends on mutual funds' holdings of treasury bills at 15 per cent.

Back Page

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| FRANKFURT (DM) | | | |
|---|---|---|---|
| **Rises** | | | |
| Hochtief | 1085 | + | 20 |
| **Falls** | | | |
| Bayer-Hypo | 450 | – | 11.5 |
| Bayer Vereinsbk | 470 | – | 27.5 |
| Daimler-Benz | 868.5 | – | 16.2 |
| Deutsche Bank | 748 | – | 30.5 |
| Schering | 1050 | – | 24 |

| NEW YORK ($) | | | |
|---|---|---|---|
| **Rises** | | | |
| Sprint | 38½ | + | 1½ |
| Union Carbide | 24⅝ | + | 1 |
| **Falls** | | | |
| Alcoa | 64½ | – | 1⅝ |
| Chrysler | 48¼ | – | 2⅝ |
| Gen Motors | 54½ | – | 2⅝ |
| Int Paper | 62¾ | – | 2 |

New York prices at 12.30.

| PARIS (FFr) | | | |
|---|---|---|---|
| **Falls** | | | |
| Accor | 721 | – | 14 |
| Fonc Lyonnaise | 870 | – | 44 |
| L'Oreal | 1190 | – | 32 |
| Pechiney | 180 | – | 18.5 |
| Simco | 581 | – | 19 |
| Worms Cie | 300 | – | 9.9 |

| TOKYO (Yen) | | | |
|---|---|---|---|
| **Rises** | | | |
| Ensuiko Sugar | 1480 | + | 200 |
| Myojo Foods | 681 | + | 100 |
| Nihon Shokuhin | 1290 | + | 130 |
| Pioneer | 2600 | + | 100 |
| **Falls** | | | |
| Shiseido | 841 | – | 34 |
| Tohoku Flour | 501 | – | 29 |

| LONDON (Pence) | | | |
|---|---|---|---|
| **Rises** | | | |
| Cosalt | 145 | + | 9 |
| French Connect | 144 | + | 6 |
| Huntleigh Tech | 478 | + | 15 |
| IMP Intl | 375 | + | 10 |
| Klearfold | 93 | + | 4 |
| PhoneLink | 423 | + | 11 |
| Radiery | 13 | + | 2 |
| Rolls-Royce | 183 | + | 7 |
| Sleepy Kids | 92 | + | 4 |
| Whitecroft | 116½ | + | 8½ |
| **Falls** | | | |
| Amstrad | 32¼ | – | 2¼ |
| Bluebird Toys | 708 | – | 27 |
| Bodycote | 292 | – | 13 |
| Carlton Comms | 836 | – | 14 |
| CentreGold | 128 | – | 8 |
| Eastern Elec | 640 | – | 16 |
| Johnson Fry | 250 | – | 33 |
| London Intl | 121 | – | 8 |
| Northern Foods | 225 | – | 7 |
| Trafficmaster | 188 | – | 11 |
| Vodafone | 496 | – | 16 |
| Wilson Bowden | 483 | – | 11 |

# Chrysler sets record for quarter

By Martin Dickson in New York

Chrysler yesterday underscored the strong recovery taking place *in the US vehicle market by* reporting a 77 per cent increase in *underlying first-quarter earn*ings and its most profitable quarter ever.

However, the results were only a little ahead of the Wall Street consensus forecast and Chrysler shares slid in a nervous New York market to $48⅞ at lunchtime, down $2⅛.

*Chrysler is the smallest of* Detroit's Big Three motor manufacturers and the first of them to report its first-quarter figures.

*Rivals General Motors and* Ford are also expected to *announce big improvements in* earnings, thanks to a boom in US sales of cars, which were up 15.5 per cent in the first quarter, and light trucks, which rose 22.9 per cent.

Chrysler, which faced financial difficulties in the early 1990s, has benefited in particular from its *strong selling range of new mod*els, improvements in production efficiency, and its strength in high margin products, such as mini-vans and four-wheel drive sports utility vehicles.

The company reported net *earnings of $938m, or $2.55 a* share, compared with $530m, or $1.57 a share in the same period of last year, excluding a $4.9bn non-cash charge taken in 1993 for a change in accounting practice. Sales and revenues rose from $10.9bn to $13.2bn.

Until now, Chrysler's highest quarterly net earnings were $801m, made in the second period of 1984.

The group's first-quarter car sales in the US and Canada rose 8 per cent to 243,229 units, while truck sales were up 26 per cent at 382,066.

Its overall share of the market was 15.7 per cent, unchanged from the first quarter of 1993. International sales rose 27 per cent to 28,305, with Europe up 22 per cent to 16,882.

Chrysler Financial, the financial services arm, had net earn*ings of $47m, up from $37m last* year before the effects of accounting changes.

Mr Robert Eaton, the group's chairman, said he saw the steady *improvement in industry sales* continuing and this, coupled with *the strength of the company's* business, had persuaded Chrysler to approve capacity increases and new hirings over the next three years.

Chrysler announced last month that it would spend $1.8bn on increasing its capacity by some 500,000 units a year, to 3.5m *vehicles*.

# Volvo to unveil post-Renault strategy

By Christopher Brown-Humes in Stockholm

*Volvo will today make an* important statement to shareholders on its strategy, which has been in question since the collapse in December of its proposed merger with Renault of France.

Mr Sören Gyll, chief executive, is expected to emphasise that many of the group's business activities, not directly linked to car and truck manufacturing, are to be sold.

He is also likely to make it *clear at the annual meeting in* Gothenburg that the group is not seeking a Renault-type alliance with other vehicle makers.

The strategy represents a break with the era of Mr Pehr Gyllenhammar, who resigned as Volvo chairman in December after the merger plan broke down. Volvo has already sold some non-core businesses this year, including a 25 per cent stake in Custos, an investment group, for SKr1.74bn *($220m), and a 4.6 per cent hold*ing in Norway's Saga Petroleum for NKr458m ($60m). Last week it sold a 26 per cent stake in Hertz to Ford for $145m.

The group retains a large number of other operations outside its main businesses, including 100 per cent stake of Alfred Berg, the stockbroker, 25 per cent of the property group Pleiad, and 22 per cent of the Cardo investment company.

*One of the main points of focus* will be the company's involvement in BCP, a consumer products company where it has 74 per cent of the shares, and Pharmacia, the pharmaceuticals group where it holds 25 per cent. It inherited both stakes after the old Procordia group – jointly controlled by Volvo and the state – was broken up last year.

The group committed itself to bidding for the outstanding *shares in BCP last October before* the collapse of the Renault deal. Shareholders will be asked to approve the offer today. With the new strategy, Volvo could be in the ironic position of announcing plans to proceed with the BCP bid while making it clear that it intends to dispose of some, or all, of the company.

# Banesto decision due on Monday

By Tom Burns in Madrid

Spain's banking authorities are likely to name the new owner of *Banesto on Monday, the deadline* for delivery of the sealed bids.

*Mr Miguel Martin, deputy gov*ernor of the Bank of Spain and chairman of the eight-member committee which will award Banesto to its new owner, has told a parliamentary commission that price will be the sole deciding factor in the auction of Banesto.

"The likelihood is that it [the sale] will all be sewn up next *Monday*" – the day when the bids are to be delivered, a Bank of Spain spokesman said yesterday.

*The three contenders are* Argentaria, the state-controlled banking corporation which was partially privatised last year, Banco Bilbao Vizcaya, a leading domestic bank which has lent senior executives to run Banesto in a caretaker capacity, and Santander, the smallest of the trio in terms of market value but the most internationally based, innovative and profitable of the domestic institutions.

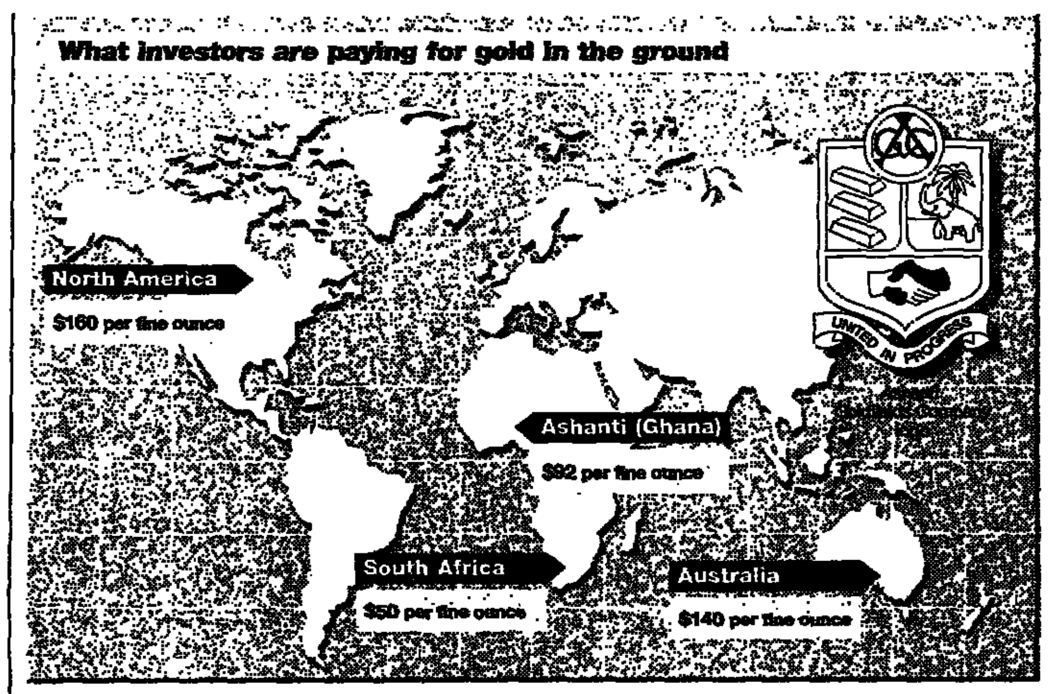
The authorities say they will view favourably the acquisition of Banesto by any one of the three.

At stake is the opportunity to acquire an institution with an estimated 10 per cent share of Spain's financial market, a banking presence in Argentina, Chile and Uruguay, a stake in Banco Totta, *a leading Portuguese bank*, and an industrial portfolio that includes some of Spain's best known corporations.

The risk for the acquirer is the burden of taking on a bank that required Bank of Spain intervention at the end of last year to avert a bankruptcy which might have endangered the entire domestic system. Independent audits have established that Banesto had gross financing needs of Pta605bn ($4.3bn), *part of which* was met by a rescue plan organised by the Bank of Spain and part by the transfer of Banesto's entire reserves to provisions.

In a hint that fuelled speculation of a winning bid by Argentaria, Mr Francisco Luzón, chairman of the banking group, has said that "the price of Banesto is a different one for the different banks". *Argentaria, which has a* smaller banking network than those *of* BBV and *Santander*, is viewed by analysts as the most interested buyer of Banesto's 2,400 branches.

**What investors are paying for gold in the ground**




# Ashanti is valued at $1.7bn

Shares in Ashanti Goldfields of Ghana, which owns one of the world's great gold mines, were priced at $20 yesterday, at the top of the $17 to $20 range *indicated in the March prospectus, writes Kenneth* Gooding.

At $20 a share, Ashanti is valued at $1.67bn. Conditional dealing started in London yesterday and the shares went to a 3 per cent premium.

The Ghanaian government, which is reducing its holding from 55 to 31.3 per cent, will collect $316m. Ashanti, which issued new shares, will bank $57m. The price values the 43 per cent Ashanti stake *owned by Lonrho, the UK-based conglomerate*, at about $720m – five times the £90m book value.

In spite of gold's lacklustre price performance, applications were received for more than 100m Ashanti shares compared with the 20.2m offered internationally.

# French insurer shifts bad loans

By Alice Rawsthorn in Paris

Groupe GAN, the French insurer, has restructured one of its banking subsidiaries by removing FFr18.4bn ($3.1bn) of non-performing property loans from the balance sheet.

*The move was announced* yesterday as GAN confirmed it had another difficult year in 1993, with net profits static at FFr414.3m.

GAN's restructuring of its property interests, which includes transferring FFr12.6bn of loans from its Union Industrielle de Crédit subsidiary to a shell company and FFr5.8bn to *another subsidiary, follows simi*lar moves by other French financial groups.

Crédit Lyonnais, the ailing state-controlled bank, last month disclosed a FFr44.9bn rescue package involving the transfer of FFr40bn of non-performing property loans. A number of insurance groups, including Union des Assurances de Paris (UAP), have *been forced to bail out banking* interests by moving property loans to less vulnerable subsidiaries.

Mr François Heilbronner, chairman of GAN which is France's third largest state-controlled insurer, said it was on course for "very strong" growth following the restructuring. He added that the group should be ready for sale later this year.

GAN has been regarded as the *weakest of the large French* insurers, because of its tardiness *in responding to the recession* and its heavy exposure to the precarious property sector.

These difficulties resulted in a steep decline in net profits to FFr402m in 1992 from FFr2.32bn in 1991. Yet conditions in the insurance market improved last year.

GAN last year saw consolidated sales increase by 17 per cent to FFr154.5bn from FFr131.9bn. The board has frozen the dividend at FFr4. Net profits from French insurance rose 28 per cent to FFr360m over the same period. The group returned to the black in foreign insurance with a contribution of FFr65m against a FFr52m loss.

In banking, UIC fell into the red with a net deficit of FFr856m against net profits of FFr152m. Its difficulties forced GAN to *make a restructuring provision* of FFr3.3bn, although this was countered with a FFr3.3bn net credit from a change in accountancy methods for its life insurance business.

**Barry Riley**

# World-beating UK funds shift their focus

Suddenly British fund managers *can beat the* world. According to the two leading pension fund measurement services, the £100bn ($150bn) overseas equity portfolios of UK pension funds outperformed the FT-Actu*aries World ex-UK Index* by between 11.3 per cent (as mea*sured by WM*) and an *amazing* 16.5 per cent (according to Caps).

Clearly there is something freakish about that, but another intriguing statistic is that after underperforming in the US market for 10 years in a row – on average undershooting the index return by 2.9 per cent annually – the UK funds' portfolios outperformed in 1993, if only by 0.8 per cent. Arguably the long unrewarded faith of UK-based managers in *smaller capitalisation* US stocks had to pay off eventually.

*Given the way that the over*seas equity exposure of UK pen*sion funds has built up to 25 per* cent of total assets, and almost a *third of overall exposure to equi*ties, the poor long-term perfor*mance by UK-based managers in* running overseas equities has been a *nagging weakness*.

Seriously negative observa*tions could be made, too*, about Japan, where the UK-based funds also lagged by nearly 3 per cent a year on average over the 10 years to 1992.

Such damaging statistics have been the basis of attempts by US and Japanese managers to win specialist mandates from British funds, on arguments of superior local management. And a marketing platform was created for index-tracking funds.

British-based managers have certainly been open to criticism *of the style in which they have* been running overseas equities. Trading activity has often been around 100 per cent of portfolios, implying that half the holdings are turned over each year, even though dealing costs can be higher than in the UK where activity is typically only half as great.

Perhaps investment managers regard the UK equities as core holdings, whereas overseas equities are managed on an aggressive hit-and-run basis. But that is looking an out-of-date approach.

**Fund managers have been scrambling to restore exposure to Japan**

*Darker suspicions focus* on the 0.5 per cent turnover charges which several leading pension fund managers impose on dealings in *overseas* equities, these days surely quite unjustifiably, except perhaps for awkward emerging markets. The more the international portfolios are churned, the bigger the managers' fees, but at a performance cost.

However, performance is improving. There was serious mid-1980s weakness against the World Index. But in the past five years it has been beaten by 5 or 6 per cent a year; managers have surpassed index returns in Japan, continental Europe and the Pacific (ex-Japan) and have trailed only marginally in the US.

One explanation could be that *the UK-based managers have* been beefing up their skills in order to cope with their increasing responsibilities in global equities.

But since the beginning of 1990, when the Japanese market cracked, the World Index has been a very undemanding target. By underweighting troubled Tokyo, global managers have made huge relative gains. They have also been helped by the weakness of financial stocks.

In fact the low exposure to Tokyo failed to pay off in 1993, because the sluggishness of share prices was offset by the strength of the yen. London managers gained heavily, however, from another *strategy* – to be underweight in the US, the worst-performing main market *last* year.

At the end of the year the *World ex-UK Index had a com*bined exposure of 71 per cent to the US *and Japan*, but British pension funds only had a corresponding 33 per cent weighting. Those were big, big bets, and in 1994 many fund managers have been scrambling to restore their exposure to Japan, where the index is up 22 per cent in sterling terms so far. They are meanwhile exiting from south-east Asia, where in 1993 the 95 per cent return meant that each percentage point of exposure produced almost a point of outperformance, whereas this year Hong Kong and Thailand spell trouble.

As the world's markets swing wildly we may discover how much these institutional managers have really profited from skill and judgment, and how much from old-fashioned good fortune on the swings and roundabouts.

# Pechiney to press on with sell-off despite tumble

By John Ridding in Paris

Pechiney, the French state-owned aluminium group, fell into a net loss of FFr980m ($167m) last year, compared with a profit of FFr203m in 1992. The group was hit by the depressed state of the aluminium market and an exceptional charge to cover losses on forward purchases of metals.

In spite of the losses, Mr Jean Gandois, chairman, said he hoped the group would be privatised this year, claiming that the conditions for the sale of the company could be set this summer.

Mr Gandois saw signs of encouragement for 1994, pointing to improved economic conditions in the US and Europe and a strengthening of aluminium prices. "Recovery to break-even for 1994 is within our reach," the chairman said.

Group sales, which fell to FFr63.03bn last year from FFr65.37bn in 1992, had risen by between 9 and 10 per cent in the first two months of this year, he said.

Pechiney is one of the 21 companies slated for privatisation by the government. However, it is not on the list of the next three companies being prepared for sale. Pechiney's privatisation has been complicated by its earnings performance and by the government's desire to create an alliance with Compagnie Nationale du Rhône, the hydro-electricity producer, before privatising the group.

The plan has drawn opposition from Eléctricité de France, the state-owned utility, which has a virtual monopoly on French electricity sales. As a result, industry observers believe the project could be delayed.

According to Mr Gandois, the principal cause for the downturn in profits last year lay in its aluminium operations, which suffered a loss of FFr302m, compared with a profit of FFr621m last year. The reversal was blamed on the fall in aluminium prices which declined by an average of about 9 per cent, as a result of excess supply.

Losses from aluminium operations were exacerbated by an exceptional provision of FFr298m. This resulted from what Mr Gandois described as a management error in metals purchasing by American National Can, the US subsidiary of Pechiney International, *the packaging group which is* 67 per cent owned by Pechiney.

Pechiney said in December it would have to take provisions to cover ANC's forward purchases of aluminium at prices well above market levels.

*See Lex*

# Krupp Hoesch in DM590m loss

By Michael Lindemann in Hanover

Krupp Hoesch, the German steel and engineering group, unveiled 1993 net losses of DM590m ($347m), but said it hoped to break even this year.

Mr Gerhard Cromme, chief executive, said that although the steel division would be the only loss-making unit this year, capacity cuts and productivity gains meant that prospects for steel were improving.

His mild optimism was confirmed by the German Steel Federation, which said production and incoming orders for German steelmakers in the first quarter were 10 per cent higher than the year before.

Turnover at Krupp Hoesch fell to DM24bn, from DM27.8bn the previous year. The company said the machine tools division reported a slight loss while steel losses had been the main reason for the result.

The other four divisions made profits but Mr Cromme said he could not give further details before the 1993 results, the first year after the merger of Krupp and Hoesch, which will be presented in mid-May.

Orders at Krupp Hoesch, Germany's second biggest steelmaker, were better in the first quarter than they had been in the same period a year ago, Mr Cromme said. Thyssen, the country's biggest steel producer, said turnover in the five months since October was up 3 per cent in the steel division, compared with the previous year.

However, speakers at steel industry events on the eve of the Hanover Industrial Fair warned against runaway optimism about the German steel industry, saying the first quarter of 1993 – with which the latest figures are being compared – was "extremely weak".

# LIG charge threatens net assets

By Maggie Urry in London

London International Group faces the near elimination of its net assets by a "very substantial" restructuring charge for the year to March, according to a statement issued yesterday.

In the March 1993 balance sheet, shareholders' funds stood at £119.1m ($179m) and a refinancing will be necessary.

In London, shares in LIG, which makes Durex condoms and Biogel and Marigold gloves, fell 8p to 121p.

The restructuring, foreshadowed in December, includes the closure of three UK plants and the loss of 1,000 jobs, at a cost of £19m, to be followed by another 1,000 job losses in LIG's international operations.

LIG has appointed Mr Michael Moore as chairman to replace Mr Alan Woltz, who announced his plan to retire in December. Mr Moore is chairman of Tomkins, Quicks Group and Linx Printing Technologies. The group also said had sold its Buttercup, Liqufruta and Galloway's cough mixture brands to Pfizer of the US for £11.2m.

Lex, Page 14; London stocks, Page 27; Three plants closing, Page 23

# French and German groups in robotics deal

By John Ridding

Groupe Schneider of France and AEG Daimler-Benz Industrie of Germany are to pool their robotics businesses in a joint venture, the companies announced yesterday.

The new company, to be called AEG Schneider Automation, will have annual sales of about FFr3bn ($508m) and will employ 3,000 people, according to Schneider.

The French electrical engineering group said the joint venture would rank second in *the international market for* automated engineering equipment and robots.

Schneider said the new company would group its Telemecanique and Square D operations. AEG Daimler-Benz Industrie, the electrical engineering unit of Daimler-Benz, will provide its AEG Modicon subsidiary.

The two groups declined to comment further, ahead of a more detailed announcement due tomorrow. But industry analysts said the move should strengthen their presence in the international market, giving them a combined market share of about 12 per cent.

"In the robotics business it is essential to gain critical mass to be able to cover the significant R&D costs arising in a business which has little series production," said an analyst at Société Générale in Paris.

In spite of the advantages, industry observers said question marks remained. In particular, they said that the joint venture could mean the closure of production sites in Germany and that Schneider may have to accelerate its rationalisation process in France.

Yesterday's announcement is the latest move in a restructuring of the international robotics industry.

Last year, Asea Brown Boveri, the Swedish-Swiss engineering group, acquired the robotics operation of Renault, the French state-owned car group, and formed a joint venture in automated vehicle assembly.

# Minister warns on Schneider crisis

By Quentin Peel in Bonn and David Waller in Frankfurt

Germany's banking system is facing a self-inflicted "crisis of confidence" in the wake of the bankruptcy of the Jürgen Schneider property empire, Mr Günter Rexrodt, the economics minister, warned yesterday.

His remarks, following yesterday's cabinet meeting, came as a leading German newspaper claimed to have discovered the whereabouts of Mr Jürgen Schneider, the 59-year old entrepreneur whose disappearance earlier this month triggered the property crisis with debts at an estimated DM5bn ($2.9bn).

According to today's edition of the Berlin-based Die Welt newspaper, Mr Schneider is living in a rented villa on the small island of Siesta Key, south of St. Petersburg on the west coast of Florida in the US.

Mr Schneider is quoted in the article as saying he was "going through a bad patch" and had been ordered by his doctors to take a month-long break from business affairs.

German banks were yesterday in discussions with the receiver appointed on Monday to wind up the affairs of Mr Schneider, his wife and officials of the Schneider group.

The banks are keen to avoid a hasty sell-off of the group's 85 property developments in Germany.

Mr Georg Krupp, director of the Deutsche Bank, the failed group's biggest creditor, told a German newspaper yesterday that the banks planned to complete Schneider's unfinished projects.

Mr Rexrodt took the highly unusual step of calling on the big banks to take swift and "unconventional" measures to protect the small creditors threatened by the collapse of the property group, in order to protect their own reputation.

He was speaking after the German government discussed the bankruptcy at its weekly cabinet meeting, and called for a comprehensive report on the consequences by next week.

Mr Rexrodt said it was up to the banks, in the first place, to take measures to support their clients, particularly the small suppliers worst hit by the Schneider bankruptcy.

It might also be possible to use funds set aside in the government's job creation programme to provide relief, he added.

Mr Dieter Vogel, the government spokesman, said members of the cabinet had expressed their concern about the Schneider affair, and particularly about the plight of the small suppliers.

# SGS-Thomson increases chip stakes

**The Franco-Italian group's move will intensify competition, write John Ridding and Alan Cane**

Competition in the strategically important microprocessor segment of the semiconductor business, worth about $5bn a year, is certain to intensify after the announcement last week that SGS-Thomson intends to sell industry standard microprocessors under its own name.

The Franco-Italian concern, the world's 13th largest manufacturer of semiconductors, makes microprocessors designed by Cyrix, a small, Texas-based, semiconductor company at its Carrollton, Texas, plant. It intends to spend about $300m to equip and commission another facility in Phoenix, Arizona, to manufacture Cyrix-designed chips under its own name and in direct competition with Intel, the industry leader. Cyrix chips are functionally similar to Intel's 80/486 and Pentium chips.

Mr Keith Chapple, Intel's director of strategic development for Europe, said the SGS-Thomson move would intensify competition, but represented little threat in the short term: "We are all for competition if it is fair competition," he said.

SGS-Thomson's decision follows the news earlier this month that International Business Machines, the world's largest semiconductor and computer manufacturer, has agreed to make copies of Intel chips designed by Cyrix.

However, analysts believe that the decision will not lead to a price war of the kind which has damaged the personal computer business. They point out the market is large and growing and there is plenty of scope for competitors to improve market share without cutting prices unduly. Intel has at least 80 per cent of the market for PC microprocessors, while Cyrix has less than 3 per cent.

IBM and SGS-Thomson were encouraged to enter the market for Intel microprocessor clones after Intel last month dropped patent infringement claims against the Texas chip designer, opening the way for companies with licences to Intel's patents to clone its microprocessors. SGS-Thomson qualifies though its acquisition of Mostek in the 1980s.

SGS-Thomson's decision is part of its strategy to expand in advanced semiconductors and raise its ranking to the world's 10th largest producer, the company said.

The group refused to give further details of the size of the investment or the timing of the launch, but said the company would make copies of Intel's 80/486 chip as the first of a family. It is expected that Cyrix-designed copies of Intel's top-of-the-line Pentium chips and its successors will follow.

Mr Bipin Parmar, an analyst with Dataquest, the US-based market research company, who has been advising SGS-Thomson on its strategy, said while the company led the world in power semiconductors, too much of its business depended on products selling for 2 cents to 20 cents a unit. Microprocessors, by comparison, sold for $30-$60 each.

The company is enjoying a sharp increase in profits. Last year's results have not yet been announced, but Mr Pasquale Pistorio, chairman, confirmed forecasts that net profits would rise to about $160m compared with $3.4m in 1992. Industry observers expect a further rise in 1994.

# Roche income advances 29%

By Ian Rodger in Zurich

Roche, the Swiss pharmaceuticals group, has again fulfilled its investors' high expectations by reporting a 29 per cent rise in 1993 consolidated net income to SFr2.48bn ($1.7bn).

The directors have proposed a 30 per cent rise in the dividends to SFr48 per share and participation certificate.

The group had earlier reported an 11 per cent rise in 1993 sales to SFr14.3bn, with all divisions contributing to the increase.

Roche said its operating income had considerably increased, due to greater use of production capacity and cost management.

Exact figures will be published with the annual report on May 10, but the group indicated that its operating margins had improved.

# Italgas earnings rise over year

By Andrew Hill in Milan

Net consolidated profit at Italgas, the Italian gas and drinking water distributor, rose by 6.2 per cent to L86bn ($50.1m) in 1993, compared with L81bn in 1992.

After a standstill in 1992, gas sales rose to 6.92bn cubic metres last year from 6.42bn. Profits have yet to return to their 1991 peak of L91bn, but the company, which held its dividend at L100 per share last year, is recommending an increased pay-out of L110 per share this year.

In 1994, the company should benefit from the 1.4 per cent increase in gas tariffs fixed by the government price commission. The decision – which took effect on January 1 – was the first tariff increase for 18 months. Italgas turnover rose to L3,897bn last year from a restated L3,614bn.

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# Citicorp hit by heavy fall in trading income

By Richard Waters in New York

Trading income at Citicorp tumbled by nearly $400m in recent weeks as the US bank took an unexpected hit in the world's turbulent foreign exchange and fixed-income markets.

The debacle cut the US bank's trading revenues to just $71m during the first three months of the year, from $457m a year ago.

The news was surprising, given that Citicorp is not known for taking big bets on the direction of financial markets. In the past, much of its income has come from handling trades for customers in the foreign exchange markets, where it is the world's biggest trader.

Foreign exchange trading income fell to $66m from $240m a year ago, while the bank's trading account – principally comprising fixed-income securities – turned in income of just $5m, down from $217m.

Speaking at the bank's annual meeting in New York yesterday, Mr John Reed, chairman, described the results as "very poor". He added that trading "is important, but it is not the dominant part of our business."

The bank did not provide details of trading losses, except to say: "Interest-rate and currency environments in Europe and North America were volatile, and market prices declined in Latin American securities."

Other banks active in the emerging securities markets have also reported poor trading results in the area, with First Chicago putting its loss in the markets at $54m.

Other parts of Citicorp's operations performed above market expectations during the period, continuing the turnround of recent quarters and off-setting the poor trading results.

Before accounting changes in both periods, after-tax profits of $609m, or $1.12 a share, were up from $370m, or 67 cents, a year before. They were broadly in line with market estimates.

Loan-loss provisions for the period fell to $415m, from $689m a year before and $571m in the final three months of 1993.

Citicorp continued to report growth in consumer banking around the world, with revenues of $2.49bn, up 11 per cent from a year before. With expenses rising by only 5 per cent, and lower loan-loss provisions, the consumer businesses recorded net income of $427m, up from $296m.

John Reed: described the results as 'very poor'

The poor trading results, meanwhile, cut revenues in the wholesale banking area to 1.2bn, 17 per cent below the level of a year before.

Net income in these operations was $264m, down from $380m.

# Creditable quarter for US banks

By Patrick Harverson in New York

Three large US banks reported growth in first-quarter earnings yesterday, confirming that the industry performed creditably between January and March in spite of the deterioration in the interest rate and trading environment.

Topping the list was Chemical Banking, the nation's third largest bank, which posted a 16 per cent increase in profits to $319m. The results included a $48m pre-tax restructuring charge relating to the closure of 50 branches in the New York area.

Although the yield on Chemical's interest-earning assets declined – primarily because of higher interest rates – the group's net interest income was virtually unchanged at $1.14bn.

Non-interest revenues rose by $6m to $931m, as increased fees from corporate finance, revolving credit and asset management activities offset a 27 per cent drop in trading revenues to $185m.

Chemical said results from the trading of securities, currencies and risk management products were mixed, but, like most of the industry, its emerging markets trading business performed poorly.

Banc One, the eighth-largest US bank, reported profits of $313m, up from $287m a year earlier.

Growth in commercial and retail loans helped the bank post a modest increase in net interest income to $1.06bn.

Once again, Banc One's use of interest rate swaps helped protect its margins from rising interest-rates, but the positive contribution of swaps to the net interest margin – which fell from 6.56 per cent a year ago to 6.14 per cent in the quarter – declined.

Non-interest income at Banc One was $384m, up from $342m a year earlier, as higher earnings from trust, securities and credit-card securitisation business offset lower earnings from its insurance, investment banking and merchant processing operations.

At Wells Fargo, the San Francisco-based bank, profits almost doubled to $202m, up from $108m a year earlier, although the bulk of the gain was attributable to a sharp decline in loan loss provisions, which fell from $210m a year ago to $60m.

Net interest income slipped 5 per cent to $642m following a 34 basis point drop in the bank's net interest margin to 5.56 per cent.

Loan balances, however, grew slightly in the quarter, the first increase since 1990. Non-interest income rose 16 per cent to $200m.

# Philip Morris shakes off price war

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group, is showing signs of recovering from the effects of cuts in the prices of its premium cigarettes.

Net income for the quarter until March, excluding the effect of an accounting change last year, was down by just 3.5 per cent, to $1.17bn, from $1.21bn in the comparable period last time. The figure was struck on sales up 2 per cent at $15.5bn.

The fall in earnings per share was still smaller because of the company has been buying back its stock. Excluding accounting changes, it was down 2.9 per cent to $1.34.

The results were better than analysts had expected, and the shares, recently depressed by an outbreak of hostility to the US tobacco industry from anti-smoking activists and politicians, put on $⅞ to $51⅛ in early trading.

Yesterday's figures were the last to show an adverse comparison with the more buoyant results reported before the round of price-cutting in US cigarette prices a year ago. Philip Morris slashed the price of its Marlboro cigarettes to defend falling market share against competition from low-cost products.

It said its strategy had succeeded in lifting Malboro's share of the domestic cigarette market back to 27.3 per cent, up 5.2 percentage points over last year. Operating income was still down – by 24.5 per cent to $769m – in domestic tobacco because of lower pricing. International tobacco was up 17.4 per cent to $791m.

# GTE steals march on rival telephone services

By Martin Dickson in New York

GTE, the second largest cellular telephone operator in the US, said yesterday it planned to launch a cut-price pocket telephone service later this year.

The move should steal the march on rival personal communications services (PCS), which are not due to be introduced in the US for at least two years.

The company, the biggest US local telephone company, confirmed that it planned to launch its Telego service nationally.

It has been testing Telego for the past two years in Tampa, Florida, with 3,000 customers, in the largest test of consumer-oriented wireless services in the US.

Telego will try to broaden the cellular customer base beyond the business community by offering lower prices and a lightweight, versatile mobile phone.

The GTE unit can be used inside the home as a limited-range cordless phone, transmitting signals through a normal wire telephone line. Outside the home, it automatically switches mode and becomes a cellular phone. However, it is not designed for customers who want to "roam", that is use their phones when travelling long distances.

Customers in Tampa are being charged a fee of $25 a month, plus 25 cents for each minute of calls. This is much cheaper than cellular rates in many cities.

GTE yesterday declined to say how much the service would cost when it was launched nationally.

The service could pose a challenge to PCS, which also use small lightweight phones, and should offer a much cheaper service than cellular.

However, the Federal Communications Commission, the government watchdog overseeing the communications industries, has yet to fix a date for an auction of PCS licences, and PCS services are unlikely to get off the ground before 1996-1997.

Separately, GTE yesterday unveiled first-quarter net income of $504m, or 52 cents a share, against $460m, or 48 cents, in the same period last year.

Revenues and sales were $4.75bn, down from $4.83bn last year. Last year's figure included $86m of revenues from properties which have since been sold. Telephone access lines grew 4.3 per cent and long-distance calling was up 6.6 per cent. The mobile cellular business had a 41 per cent jump in revenues.

● Sprint, the long-distance and local telecommunications group, reported first-quarter net income of $337m, or 65 cents, compared with a net loss of $413m, or $1.21, in the same period of last year.

The 1994 figures were affected by a one-time gain of 6 cents a share and the 1993 figures by $1.66 a share of non-recurring special charges.

Excluding special items, income from continuing operations rose 33 per cent to $205m, while revenues were up 12 per cent at $3.03bn, as the company saw an 11 per cent rise in long-distance revenues and minutes of use. Long-distance operating income rose 19 per cent to $143m.

# Steady performances from Merck and Warner Lambert

By Frank McGurty in New York

Recent acquisitions and joint ventures contributed to steady first-quarter performances by Merck and Warner Lambert, two of the biggest US pharmaceutical companies. American Home Products, a third leading drug concern, showed little improvement during the period.

At Merck, net income in the first three months of 1994 climbed 10 per cent to $675.2m. Earnings per share were flat at 54 cents a share, due to the dilutive effect of stock issued to complete the acquisition of Medco Containment Services, a drug distribution business.

It was the first quarter in which the Medco operation was included in Merck's results.

Dr P. Roy Vagelos, chairman and chief executive, linked the growth in profits to strong unit volume gains in US and international markets. Merck's most profitable products include Vasotec, an enzyme for treating cardiovascular disorders, and Proscar, a treatment for benign prostrate enlargement.

Dr Vagelos said the unfavourable effects of foreign exchange rates, higher tax rates and other factors were offset by cost controls and better productivity.

Revenue growth, thanks largely to Medco's contribution, was even more impressive. Sales reached $3.5bn, up 48 per cent.

If the effect of the acquisition and the sale of the Calgon water-management business is taken into account, sales were up 19 per cent.

Warner Lambert, which markets personal care products and confections in addition to pharmaceuticals, said net income advanced 5 per cent to $190m, or $1.42, compared $182m, or $1.35, a year ago.

Worldwide sales were up 10.5 per cent at $1.47bn. Mr Melvin Goodes said the gains reflected their growth strategy last year, which included the acquisition of the Wilkinson Sword operations and alliances with Wellcome, Glaxo and Jouveinal.

By comparison, American Home Products had a lacklustre first quarter. Net income edged 4 per cent ahead to $415m, or $1.34 a share on sales up 2 per cent at $2.14bn.

The company blamed "competitive conditions" in the US and certain foreign markets and "a less severe cold and flu season" for inhibiting sales growth.

# Two divisional managers set to leave Apple Computer

By Louise Kehoe in San Francisco

Two of Apple Computer's five divisional general managers, who report directly to Mr Michael Spindler, the chief executive, are to leave the company, Apple announced.

The departures of two senior executives add to perceptions that Apple is still struggling to regain its competitive footing, in spite of the recent launch of new Macintosh personal computers based on the PowerPC microprocessor.

Mr Gaston Bastiaens, general manager of Apple's Personal Interactive Electronics division, which develops and markets Apple's Newton technology, will be leaving Apple to set up his own business activities, the company said.

Sales of the Newton hand-held "personal digital assistant" have been disappointing. In January, Apple said that 80,000 Newtons had been shipped since its introduction last year.

Mr Morris Taradalsky, general manager of the Apple Business Systems (ABS) division, which develops and markets high performance "servers" for office networks, is also leaving the company.

He is joining MicroNet Technology, a privately-held developer of data storage systems, as president and chief executive.

Before joining Apple in 1989, Mr Taradalsky worked at IBM for 18 years.

Mr Joseph Graziano, Apple's chief financial officer, will lead the PIE management team until a successor for Mr Bastiaens is named, Apple said.

Mr Bastiaens joined Apple in September 1992 after 21 years with Philips Electronics of the Netherlands.

## INTERNATIONAL COMPANIES AND FINANCE

# Pratt & Whitney helps UTC to 66% rise

By Martin Dickson

United Technologies, the US technology group, reported a 66 per cent increase in first-quarter net income, powered by a sharply improved performance at Pratt & Whitney, its aero-engine manufacturing subsidiary.

The group reported earnings of $106m, or 71 cents a share, compared with $64m, or 42 cents, in the same period last year on revenues down from $4.86bn to $4.84bn.

Pratt's operating income was $84m, compared with $24m, and the underlying improvement was even greater since the 1993 quarter benefited from a $75m fee from a company wishing to participate in Pratt's PW4000 engine programme.

Pratt has been hit hard over the past two years by the downturn in the civil aviation business, which has cut demand for lucrative spare engine parts. The company said the improved performance was due to higher commercial spares sales, lower research and development spending, and continued cost improvements. This was partly offset by lower shipments of commercial engines.

Commercial spare parts orders in the first quarter averaged $140m a month, compared with a monthly average of $124m for all of 1993.

The group's flight systems segment had operating income of $47m, down from $71m, as income growth at the Sikorsky helicopter group was more than offset by results at Hamilton Standard and Norden.

Carrier, the air conditioning unit, reported operating income of $18m, up from $8m, as results continued to strengthen in North America, Asia-Pacific and Carrier Transicold. This was offset partly by European weakness.

Otis, the elevator group, made $97m, up $3m, while automotive turned in $44m, up from $37m, due primarily to higher production of American-built cars and trucks and greater penetration in Europe.

# Charge checks earnings growth at Microsoft

By Louise Kehoe in San Francisco

Microsoft, the world's largest computer software company, reported record revenues for its third fiscal quarter, although earnings were reduced by a $120m charge for litigation.

Net earnings for the quarter were $256m, or 84 cents a share, after the litigation charge, against $243m, or 80 cents. Revenues were $1.24bn, a 30 per cent increase over the $958m for the same period last year.

In February, a Los Angeles jury ordered Microsoft to pay damages to Stac Electronics for infringement of patents covering data-compression technology. Microsoft said it would seek a reversal of the verdict and would, if necessary, file an appeal.

Excluding this charge, net income for the quarter would have been $336m, up 38 per cent from the same quarter last year, with earnings a share of $1.11, well above Wall Street expectations of about $1.01.

"This is another record-breaking quarter for the company," said Mr Mike Brown, vice-president of finance and treasurer, "with revenues reaching an all-time high. While we've had good results across our product line, Microsoft Windows and Microsoft Office continue to lead the way."

Windows is Microsoft's widely-used personal computer operating system, while "Office" is a suite of applications products.

For the nine months, revenues were $3.36bn, up from $2.71bn in the same period last year, while net income advanced to $784m, or $2.58, compared with $688m, or $2.28.

# Intel net income climbs to $617m in record quarter

By Louise Kehoe

Intel, the world's largest maker of computer chips, reported strong growth in revenues and earnings for the first quarter, its seventh consecutive quarter of record results.

Revenue for the quarter totalled $2.66bn, up from $2.02bn a year ago. Net income was $617m, or $1.40 per share, compared with $548m, or $1.24, in last year's first quarter.

Growth was driven by a "steady migration of computer buyers toward higher performance [personal computer] systems," said Mr Andrew Grove, president and chief executive. First-quarter orders set another company record, he said.

Intel is the leading supplier of microprocessor chips to the personal computer industry. Strong demand for personal computers, together with a slight increase in the average price of microprocessors, is driving the company's growth.

Intel is "on the most aggressive processor [production] ramp in our history in order to deliver Pentium processors in high volume for mass market PCs", said Mr Grove.

The Pentium is Intel's latest and highest performance microprocessor.

The company aims to produce between 6m and 7m Pentium chips this year, with Pentium sales expected to represent 25 per cent of fourth-quarter sales to the PC industry, Intel said.

Of the first-quarter revenues, 51 per cent came from the Americas, 27 per cent from Europe, 8 per cent from Japan and 14 per cent from the Asia-Pacific region.

The company said its latest fiscal quarter included an extra week to bring end-of-quarter dates more in line with the calendar dates. The extra week had an immaterial effect on first quarter revenue.

# American Barrick ahead 31%

By Bernard Simon in Toronto

Rising production and lower costs helped American Barrick, the Toronto-based gold producer, to a 31 per cent rise in first-quarter earnings.

Net earnings rose to US$60.4m, or 21 cents a share, from $46.1m, or 16 cents, a year ago. Revenues climbed to $187.3m from $144.1m.

Gold output jumped to 451,981 ounces from 354,839 ounces, reflecting rising production from the Betze-Post deposit at Barrick's flagship Goldstrike mine in Nevada. Unexpectedly high, throughput at Goldstrike also contributed to a drop in operating costs to $160 an ounce from $174 an ounce.

Due to an active hedging programme, the average price of gold received was well above prevailing market prices at $403 per ounce, but lower than the $410 average a year earlier.

Barrick has markedly expanded its offshore activities in the past year. It reported that drilling on the Corona property in northern Peru points to "good mineralisation" at a depth of 400 metres. Eleven drills and close to 100 people are working on the site.

Total production this year is forecast at about 1.8 ounces, rising to 2m ounces in 1995. Another mine on the Goldstrike property is due to reach full production of 400,000 ounces a year in late 1996.

# Electronics drives rise at Rockwell

Rockwell International, the US aerospace-to-electronics group, lifted second-quarter net income to $154.7m, an increase of 13 per cent over the $136.9m of the corresponding period.

Mr Donald Beall, chairman and chief executive officer, said: "Earnings per share for the second quarter were 70 cents, up 11 per cent over last year's 63 cents per share, marking the fifth consecutive quarter Rockwell has recorded a double-digit increase of earnings per share."

Sales for the second quarter rose to $2.76bn, up $67m from the same fiscal 1993 period.

Mr Beall attributed the strong 1994 second-quarter results primarily to record quarterly earnings at the largest business segment, electronics. Automotive, aerospace and graphics earnings were also ahead of last year's comparable period.

For the first six months, net income was $304.2m, a 15 per cent increase over 1993's first-half net income of $264.7m. Earnings per share were $1.38, up 14 per cent over 1993's $1.21. Sales totalled $5.4bn, against $5.2bn a year ago.

# Four Seasons pushed into loss

By Bernard Simon

Four Seasons Hotels, the luxury hotel chain up for sale, has reported a strong improvement in operations, but was pushed into a hefty 1993 loss by write-downs on several hotel properties.

The write-downs, totalling C$117m (US$84m), resulted in a net 1993 loss of C$119.2m, or C$4.30 a share, compared with earnings of C$7.7m, or 32 cents a share, a year earlier.

Operating earnings grew to C$35.1m from C$12.3m, due partly to the acquisition in August 1992 of Regent International Hotels.

The company, which manages 38 Four Seasons and Regent hotels, with another seven under construction, said the final quarter of 1993 and early 1994 "provide the first tangible evidence that our business is solidly recovering from the prolonged recession".

Luxury hotel reservations were up 12 per cent and group sales bookings up 24 per cent in the fourth quarter.

Mr Isadore Sharp, Four Seasons' founder and controlling shareholder, recently put the entire company up for sale.

Seven properties, including the Four Seasons in London (formerly Inn on the Park), are also on the block, although Four Seasons will continue to manage the hotels. These sales are expected to be completed over the next 18-24 months.

# Argentine food group in agreed takeover

By John Barham in Buenos Aires

Canale, a struggling Argentine food company, has agreed to sell 58.5 per cent of its equity to Socma, a large locally-owned industrial conglomerate.

Buenos Aires-based Canale, which makes biscuits, pasta and jams, did not reveal terms of the deal.

However, it is understood that Socma will pay members of the founding Canale family between $15m and $20m for its shares, leaving the family with 21.5 per cent of the company.

The remainder is traded on the Buenos Aires stock exchange.

Socma owns companies such as Sevel, Argentina's biggest car company.

It also has interests in services, construction and energy companies.

Analysts said Canale had suffered from poor management and fallen into debt.

It reported sales of $41m in the six months to last December, up 11 per cent over the second half of 1992.

# Oil and gas arm spun off by US energy company

Freeport-McMoRan, the US natural resources group, plans to distribute to shareholders on a pro-rata basis the common shares of its newly-formed, wholly-owned subsidiary, McMoRan Oil & Gas, Reuter reports from New Orleans.

The new McMoRan energy company will take over most of the active oil and natural gas exploration activities conducted by the parent.

It said the spin-off, likely to be a taxable transaction, was expected to be completed by mid-year.

# Five-minute film service planned for next year

By Raymond Snoddy

A company that can download a full-length feature film in five minutes by satellite to specially-adapted video recorders is planning to launch its movie service in Japan, the US, and Europe next year.

Mr Will Graven, chairman of EMC[3] International Holdings, said yesterday he has signed letters of intent with seven Japanese and Korean video recorder manufacturers, with three more agreements in the pipeline.

Mr Graven has been working on his concept of creating an "electronic video store in the sky" for more than six years, and now believes he is close to pulling it off.

Sharp, the Japanese consumer electronics group, is the latest video recorder manufacturer to sign a letter of intent, express excitement about the idea and agree to explore and finalise a standard before preparing to manufacture.

Under the EMC[3] concept of providing "near real-time" videos, a customer orders a title from a catalogue by telephone or key pad and it is delivered by satellite in a digital "electronic burst".

The machine, which is likely to cost around $250 more than a conventional video recorder at the outset, slows down the "five-minute" recording to provide 100 minutes of viewing time.

Macrovision, the anti-piracy specialist, is a minority shareholders in EMC[3] and its system will be used to prevent illegal copying.

# Better gold price lifts Anglovaal

By Mark Suzman in Johannesburg

The continued improvement in the rand gold price helped compensate for lower yields in the Anglovaal group's four gold producers, as after tax profit for the quarter to end-March increased to R70m ($19.1m)) from R67.1m in the preceding three months.

The group's mines received an average price of R41,525 a kg compared with R39,691 in the December quarter.

Total gold output declined slightly to 10,162kg from 10,609kg.

The bulk of profits again came from group flagship Hartebeestfontein, which raised its taxed income to R62.9m in the quarter, despite a dip in yield and higher unit costs.

The results were helped by the state's share of profit no longer being payable in the January quarter.

Loraine, the group's marginal mine, continued to struggle. After-tax profit dropped to R440,000 following a R2.9m profit in the previous quarter as the mine suffered from a decline in output when its continuous work week had to be broken for the Christmas holidays.

The amount of gold produced declined to 1,454kg from 1,535kg.

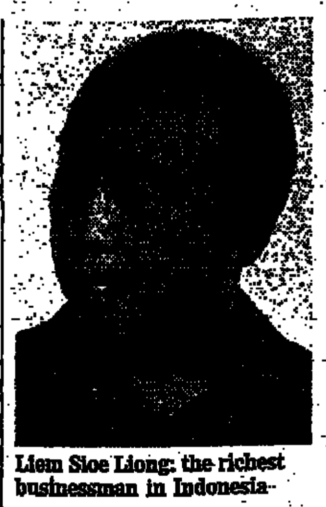
Eastern Transvaal Consolidated boosted working profit to R10.3m from R9.2m but taxed income declined to R5.9m from R6.1m in the previous quarter, largely as a result of an increased tax burden.

The group's smallest producer, Village Main, benefited from its lack of forward commitments and improved profit after capital expenditure was reduced to R799,000 from R671,000.

Chief executive Mr Rob Wilson said that he was generally satisfied with the group's performance but stressed the need for further cost containment at Eastern Transvaal Consolidated.

He added that he was optimistic that the situation at Loraine would soon improve once technical problems had been solved and recently uncovered higher grade ore could be properly exploited.

The company continued to make extensive use of hedging, but Mr Wilson noted that the additional use of gold option transactions, which allow mines to receive 70 per cent of any further increase in the rand spot price, gave the group greater flexibility in dealing with price fluctuations.



Liem Sioe Liong: the richest businessman in Indonesia

# Asian pair team up for sugar project

By Kieran Cooke in Kuala Lumpur

Two of south-east Asia's wealthiest businessmen, Mr Robert Kuok and Mr Liem Sioe Liong, are teaming up to develop a series of sugar plantations and refining operations in the south of the Indonesian island of Sumatra.

Mr Kuok, a Malaysian Chinese, controls a global business empire with interests ranging from housing schemes and beach resorts to ownership of a controlling interest in Hong Kong's South China Morning Post newspaper group.

Mr Liem, an Indonesian Chinese, is generally regarded as Indonesia's richest businessman with interests ranging from cement manufacturing to noodle making. The Salim group, Mr Liem's main company, had turnover of more than $9bn last year.

The fortunes of both Mr Kuok and Mr Liem were founded on the commodities business.

# US cable TV group buys India stake

Falcon Cable TV of the US has acquired a 40 per cent stake in Asianet Satellite Communications, a Madras-based television network, to help expand the Indian company's Rs1.2bn ($38m) multi-channel regional language cable network, writes Shiraz Sidhva in New Delhi.

Falcon will invest nearly Rs600m in Asianet and provide state-of-the-art technology to expand Asianet's year-old network to 50 channels, primarily in three south Indian regional languages.

Asianet beams its programmes off Russian satellite Ekran M, and has a unique cabling system, which uses Kerala state's electricity poles for trunk cabling.

Falcon, the 12th largest cable company in the US with 1.1m subscribers in 27 states, hopes to bring its expertise in the latest fibre optic cable technology to India eventually.

Although the Indian government has not officially deregulated television, satellite networks such as Star TV from Hong Kong have captured nearly 20m of India's 335m television viewers.

## COMPANY NEWS DIGEST

### Perlis Plantations turns in 14% climb

Perlis Plantations, the diversified Malaysia-based group controlled by Malaysian Chinese businessman Mr Robert Kuok, has announced pre-tax profits for the year ending December 31 1993 of M$268m (US$99m), a 14 per cent rise on the previous year's figure, writes Kieran Cooke.

Group turnover in 1993 rose 3.5 per cent to M$3.45bn. Perlis has been moving out of the plantations business and using much of its large land bank for housing projects.

It is also developing a number of big leisure complexes in Malaysia.

Last year Perlis became involved in a multi-million dollar project to build a power station in Malaysia under the country's independent power producer programme.

However, the company withdrew from the project after certain unspecified disagreements with the venture's partners.

### Timberwest Forest target in sight

New Zealand-based forestry and resources concern Fletcher Challenge said that its Canadian subsidiary, Timberwest Forest, recorded an operating profit after tax of NZ$22.8m (US$12.9m) for the period from December 16 1993 to March 31 1994, AP-DJ reports from Wellington.

The result is the first issued by the concern since it acquired forest, logging and milling operations from Fletcher Challenge Canada in December.

Timberwest's chief executive, Mr Keith Purchase, said the company was on track to meet a forecast operating profit after tax of NZ$40.4m for the six and a half months to June 30.

### Guinness Peat picks up Tooth holding

Guinness Peat, Sir Ron Brierley's UK-based holding company, has acquired a 5 per cent interest in Tooth & Co, the listed Australian company which forms part of the troubled Adelaide Steamship group of companies, writes Nikki Tait.

Guinness Peat recently disclosed a 5.26 per cent interest in Adsteam itself, and Sir Ron indicated that it would like a say in the management of the company.

# Sales surge helps Reliance improve profits by 79%

By Shiraz Sidhva in New Delhi

Reliance Industries, the chemicals and textiles conglomerate which is India's biggest private sector company, yesterday announced a 79 per cent increase in net profits to Rs5.76bn ($184m) for the year to March 31, due to sharp increases in sales and production capacity.

Reliance, which completed a $300m global depository receipt equity issue in February, its third international offering, posted a 30 per cent increase in sales to Rs53.46bn from Rs41.06bn.

Operating profits increased by 20 per cent to Rs10.59bn from Rs8.81bn, and cash profit to Rs8.28bn from Rs6.02bn. Total expenditure rose to Rs44.04bn from Rs32.93bn.

Mr Anil Ambani, joint managing director, said the company's results, which had shown "an improved performance on all major indicators", also reflected the changes in depreciation norms recently announced by the Indian government which, he said, were "now in line with international standards prevalent in this industry. Thus these changes will truly reflect the life of our assets and a fair charge on the profit and loss account in our business."

The company – which has more than 2.6m shareholders, the largest shareholding group in India – reported that earnings per share would increase by 60 per cent to Rs21.24 from Rs13.24 in spite of a 12 per cent growth in equity capital to Rs2.71bn from Rs2.42bn.

The Bombay-based company started 35 years ago as an integrated textiles business, adding synthetic fibres, fabrics, chemicals and plastics, and most recently, oil and gas production.

The group launched India's largest corporate fundraising exercise last year. Reliance raised Rs8.6bn from the Indian public, the first slice of a Rs21.7bn convertible bond issue for a new company, Reliance Petroleum, which plans to construct a Rs51.4bn oil refinery, India's largest private sector investment to date.

# Australian government to float drugs group

By Nikki Tait in Sydney

CSL, the Australian drug company which was formed as Commonwealth Serum Laboratories in 1916 and is owned by the federal government, is to be sold off in a A$260m to A$312m (US$186m to US$224m) stock market flotation next month.

Mr Kim Beazley, finance minister, announced yesterday that 130m shares would be offered at a price range of A$2 to A$2.40.

Private investors can apply at the upper price of A$2.40, while institutional investors can apply at prices within this range.

The institutional bidding process will determine the final price, and private investors will then receive a refund if the final price is less than A$2.40.

The flotation will not be underwritten, and Mr Beazley claimed that the pricing arrangements provided "the greatest flexibility to withstand changing market conditions".

The government statement said that CSL has forecast an after-tax profit of $20.4m for the year to end-June 1995, and sales of A$219m. Exports will account for around 10 per cent of this revenue. Expected spending on research and development is put at A$27.6m.

INTERNATIONAL CAPITAL MARKETS

# European sector falls as traders digest US rate rise

By Sara Webb in London and Frank McGurty in New York

Europe's government bond markets fell sharply yesterday morning, as traders and investors continued to digest Monday's unexpected rise in US interest rates.

Although the European markets edged up slightly at the opening, government bond futures quickly reversed direction and tumbled again, breaking through key support levels which then triggered further selling.

The German government bond futures contract on Liffe, which opened at 95.51, tumbled more than a point in the morning as it dropped from its early high of 95.62 to a mid-morning low of 94.40.

However, the bund market gradually clawed back some of the losses, ending the day at around 94.93.

Given that the bund market is choosing to take its direction from the US at present, bond analysts pointed out that the Bundesbank's repo today may not make much difference to market sentiment.

Mr Kit Juckes, international economist at S. G. Warburg Securities, said that he expected a cut of between 5 and 8 basis points at the repo.

Other analysts pointed out that a small cut, for example in the region of only 3 basis points, could simply provide more bad news for the European markets.

Ms Alison Cottrell, international economist at Midland Global Markets in London, said: "There's a lot of nervousness. Investors are not even looking for the troughs for buying opportunities at the moment [and] there's not even any bargain-hunting on fundamentals."

■ French government bonds ended half a point down on the day, with the Matif's notional futures contract falling from its opening level of 121.50 to a low of 120.36 before settling at 121.04.

The weakness of the French franc against the D-Mark is proving an additional worry for the French government bond market.

## GOVERNMENT BONDS

Traders point out that the Bank of France is far less likely to cut interest rates this week if the French franc remains weak, especially since at 3.4315 francs to the D-Mark, it is now outside its former ERM band.

"The European bond markets are geared up for a rise in US interest rates, and the fact that Europe is behind [the US] in the business cycle means they are expecting to see a follow-through eventually, with rises in European interest rates," said Mr Michael Burke, economist at Citibank.

■ UK government bonds performed better than the other European markets, helped primarily by a favourable auction announcement. In spite of a volatile trading session, which at one point saw gilt futures down by more than a point, the market ended little changed on the day.

The Bank of England announced that it would auction £2bn of the 6 per cent Treasury stock due 1999 next Wednesday, April 27.

Gilt analysts said the market was relieved at the smaller than expected size of the auction. They added that there should be good demand for this particular stock, both from UK and foreign investors.

The 6 per cent gilt due 1999 is currently trading at around 93$\frac{11}{32}$, giving a yield of 7.46 per cent.

■ US Treasury bonds firmed in light trading yesterday morning following Monday's big sell-off in the wake of the Federal Reserve's move to tighten monetary policy.

By midday, the benchmark 30-year government bond was ¼ better at 86$\frac{1}{32}$. The yield slipped to 7.39 per cent, still 11 basis points higher than at the opening of trading the previous session. The two-year note was unchanged at 98$\frac{8}{32}$, with the yield holding at 5.673 per cent.

With US bonds falling sharply in London before the opening in New York, prices showed further erosion as the session got under way.

Traders were reluctant to step in and buy on the heels of the central bank's third increase in its target Federal Funds rate in the last 10 weeks. Many are now expecting an additional increase in short-term rates sometime before the next meeting of the Fed's policy-making arm on May 17.

However, the market began to pick up support at mid-morning as commodity prices started to slip.

More importantly, the Commerce Department said the US trade deficit had widened in February to $12.36bn, from $10.17bn in the previous month. A big drop in US exports was partly to blame.

Traders interpreted the decline as a favourable sign for bonds because it suggested a slowing of economic growth during the month, and a subsequent easing of inflationary pressure.

# Chinese offered London listings

By Tony Walker in Beijing

The London Stock Exchange yesterday made a strong pitch for Chinese companies to consider dual listings in both Hong Kong and London.

Mr Nigel Atkinson, head of listings in London, said in Beijing that Chinese companies seeking capital abroad could "get two listings for the price of one" in Hong Kong and London, since listing requirements on the two exchanges were complementary.

The London Stock Exchange conducted a one-day seminar, attended by Chinese stock regulators and securities representatives, to promote its attractions as a centre for international listings.

London lists 480 international companies, three times as many as New York and four times as many as Tokyo. It accounts for 60 per cent of world trade in international securities, Mr Atkins said.

Mr Atkinson said the London Stock Exchange was open to various options, including primary, secondary or dual listings. No Chinese company has yet listed in London, but three bond issues are being traded.

The Beijing listings seminar follows a visit to China last month by Sir Andrew Hugh Smith, chairman of the London Stock Exchange. Sir Andrew signed a memorandum of understanding with the Shanghai Stock Exchange aimed at facilitating contacts and exchanges of information.

China's Securities Regulatory Commission has approved the listing abroad of 22 companies, of which several are expected to seek listings in New York.

Over the past year six mainland companies have been listed in Hong Kong.

# L-Bank in DM2bn global issue

By Conner Middelmann

L-Bank defied volatile bund market conditions to issue its long-awaited five-year global bond yesterday.

The recently renamed development agency of the German state of Baden-Württemberg launched DM2bn of bonds due May 1999, to be priced today at a spread of 34 to 37 basis points above the Treuhand notes due January 1999. Deutsche Bank, J.P. Morgan and Salomon Brothers were joint leads.

"I was a bit surprised they decided to come to the market while it was still so choppy," said one Frankfurt syndicate manager. However, he added that, after the issue had been widely flagged in roadshows earlier this year, "the whole thing would have lost momentum if it hadn't come soon".

Another dealer welcomed L-Bank's decision to issue DM2bn, rather than the widely expected DM3bn. Most syndicate sources deemed the pricing of the deal to be very fair, although they warned that the ongoing buyers' strike could make it slow to place.

Despite widespread investor abstinence, the lead managers reported a steady flow of orders, especially from east Asian and US accounts.

## INTERNATIONAL BONDS

In the Canadian dollar sector, the Kingdom of Sweden issued C$200m of 8¼ per cent bonds due December 1999. The bonds closed at 99.59, just below their 99.62 fixed re-offer price, but the spread widened to 31–33 basis points over the corresponding Canadian government note, from 28 basis points at issue, traders said.

Lead manager Daiwa Europe reported good demand from European and east Asian investors attracted by the high coupon. However, some dealers felt the deal was badly timed, with many investors avoiding the dollar bloc amid nervousness over US interest rates.

Dewan Salman Fibre, Pakistan's biggest producer of polyester fibre and its second-largest listed company, issued $45m of seven-year convertible bonds via Citicorp and Crosby Securities. The bonds carry an indicated semi-annual coupon of 4¾ to 5 per cent with a conversion premium of 8 to 12 per cent. According to one of the lead managers, this compares favourably with recent Indian convertibles carrying 2½ to 3 per cent coupons and premiums of around 15 per cent.

● Argentina plans a $2bn global bond, Euronote and peso note borrowing programme later this year, writes John Barham from Buenos Aires.

Mr Joaquin Cottani, finance under-secretary, said the government "will follow last December's successful $1bn global bond with a new $1bn global bond in the second half of the year, a mid-term Euronote or Treasury bill programme and $500m in peso T-bills."

Mr Cottani said the government will this year target Argentina's domestic investor base more than international investors as in previous years. Private pension funds, which will begin operating in July, are expected to be big buyers of government paper.

He said the government will spend about $7bn this year servicing its $70bn debt, most of which is in dollars.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| MBE Finance, Tranche A(a)‡ | 30 | (b) | 100.225 | May.2004 | 0.225 | - | Mitsubishi Finance Intl. |
| MBE Finance, Tranche B(a)‡ | 20 | (c) | 100.225 | May.2004 | 0.225 | - | Mitsubishi Finance Intl. |
| Dewan Salmon Fibre(d)§ | 45 | (4¾-5)s | 100.00 | May.2001 | 2.50 | - | Citibank/Crosby Securities |
| **D-MARKS** | | | | | | | |
| Badenwürttemberg L-Finance | 2bn | (e) | (e) | May.1999 | 0.25R | (e) (5%-99) | Deutsche Bank/ JP Morgan Salomon Brothers |
| **YEN** | | | | | | | |
| Sudwestdeutsche LB, London* | 20bn | 3.85 | 100.15R | May.1999 | 0.25R | - | Merrill Lynch International |
| aSwedish Export Credit(f)* | 10bn | 5.25 | 100.00 | May.2004 | undisd. | - | Bank of Tokyo Capl.Mkts. |
| **FRENCH FRANCS** | | | | | | | |
| CCC(g) | 1.5bn | 6.00 | 92.83R | Feb.2002 | 0.35R | +57 (8½%-02) | Crédit Lyonnais |
| **CANADIAN DOLLARS** | | | | | | | |
| Kingdom of Sweden(h) | 200 | 8.25 | 99.62R | Dec.1999 | 0.25R | +28 (7¾%-99) | Daiwa Europe |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Genfinance Luxembourg | 2bn | 6.75 | 101.95 | May.1999 | 1.75 | - | BGL |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on 19/5/97 at par. b) 6-mth Libor +½% to 19/5/97 and 9¾% fxd thereafter. c) 6-mth Libor +0.45% to 19/5/97 and 9½% fxd thereafter. d) Fixed later this week. Callable from 3/5/98 subject to 140% rule. e) Priced today at 34-37bp over Tobls. f) Redemption proceeds linked to $/Yen exchange rate. g) Fungible with FFr2½bn. Plus 78 days accrued. h) Short 1st coupon.

# HK securities watchdog to recruit senior officials

By Simon Holberton in Hong Kong

Hong Kong has begun the search for corporate regulators to replace the two most senior officials at the Securities and Futures Commission, the colony's corporate watchdog, both of whom have decided to step down.

Mr Robert Nottle, SFC chairman, will leave the commission at the end of this year when his contact expires and return to Australia. Mr Robert Gilmore, his deputy, plans to return to the private sector next year.

Mr Michael Cartland, secretary for financial services, said the government hoped a local Chinese could be found to replace Mr Nottle. The government hoped to be able to announce an appointment by October this year.

However, if the government wants its candidate to serve beyond mid-1997 – when China resumes sovereignty over Hong Kong – it will have to consult Beijing on the appointment. At present, the SFC chairman has wide powers to investigate corporate wrongdoing.

A commission spokesman said an international search would be conducted. "Much of the chairman's work is focused on the integration of Hong Kong's financial market with the mainland. An ability to speak Chinese would be an asset," he said.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.500 | 08/03 | 106.7300 | −2.460 | 8.44 | 8.12 | 7.22 |
| Belgium | | 7.250 | 04/04 | 98.9800 | −0.740 | 7.40 | 7.13 | 7.09 |
| Canada * | | 6.500 | 06/04 | 87.7500 | −0.400 | 8.32 | 8.07 | 7.37 |
| Denmark | | 7.000 | 12/04 | 98.4000 | −0.970 | 7.21 | 6.63 | 6.63 |
| France | BTAN | 8.000 | 05/98 | 108.0900 | −0.400 | 5.94 | 5.76 | 5.76 |
| | OAT | 5.500 | 04/04 | 90.8400 | −0.420 | 6.82 | 6.51 | 6.28 |
| Germany | | 6.000 | 09/03 | 96.7000 | −0.960 | 6.47 | 6.17 | 6.12 |
| Italy | | 8.500 | 01/04 | 97.0100 | −0.590 | 8.97† | 8.74 | 9.14 |
| Japan | No 119 | 4.800 | 06/99 | 106.2390 | +0.140 | 3.37 | 3.51 | 3.52 |
| | No 157 | 4.500 | 06/03 | 103.1450 | −0.490 | 4.08 | 4.12 | 3.98 |
| Netherlands | | 5.750 | 01/04 | 92.8200 | −0.830 | 6.78 | 6.38 | 6.23 |
| Spain | | 10.500 | 10/03 | 107.6000 | −0.650 | 9.25 | 8.82 | 8.74 |
| UK Gilts | | 6.000 | 08/99 | 93–24 | −8/32 | 7.45 | 7.13 | 6.67 |
| | | 6.750 | 11/04 | 92–31 | −2/32 | 7.74 | 7.52 | 7.33 |
| | | 9.000 | 10/08 | 109–13 | −3/32 | 7.90 | 7.71 | 7.46 |
| US Treasury * | | 5.875 | 02/04 | 91–08 | −3/32 | 7.13 | 6.98 | 6.38 |
| | | 6.250 | 08/23 | 86–09 | −3/32 | 7.40 | 7.28 | 6.81 |
| ECU (French Govt) | | 6.000 | 04/04 | 91.5000 | −1.070 | 7.22 | 6.90 | 6.64 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime

| | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | 3.71 | Two year | 5.69 |
| Prime rate | 6¾ | Two month | 3.72 | Three year | 6.10 |
| Broker loan rate | 6 | Three month | 3.82 | Five year | 6.70 |
| Fed.funds | 3¾ | Six month | 4.36 | 10-year | 7.14 |
| Fed.funds at intervention | - | One year | 4.89 | 30-year | 7.42 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 121.50 | 121.04 | -0.98 | 121.80 | 120.36 | 370,941 | 135,582 |
| Sep | 120.70 | 120.24 | -1.00 | 120.98 | 119.64 | 3,796 | 11,953 |
| Dec | 119.90 | 119.46 | -0.98 | 119.90 | 119.46 | 2 | 358 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls May | Calls Jun | Calls Sep | Puts May | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|
| 123 | 0.10 | 0.41 | 0.76 | 2.02 | 2.40 | 3.54 |
| 124 | - | 0.19 | - | - | 3.18 | - |
| 125 | 0.02 | 0.09 | 0.55 | - | 4.03 | - |
| 126 | - | 0.04 | - | - | 4.97 | 5.82 |
| 127 | - | 0.03 | 0.13 | - | 5.82 | 6.61 |

Est. vol. total, Calls 63,663 Puts 138,671. Previous day's open int., Calls 381,097 Puts 280,238.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.51 | 94.77 | -0.70 | 95.62 | 94.40 | 250848 | 198123 |
| Sep | 95.05 | 94.51 | -0.69 | 95.30 | 94.15 | 754 | 6929 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 9450 | 1.04 | 1.43 | 0.77 | 1.42 |
| 9500 | 0.77 | 1.17 | 1.00 | 1.66 |
| 9550 | 0.55 | 0.97 | 1.28 | 1.96 |

Est. vol. total, Calls 33844 Puts 35733. Previous day's open int., Calls 275214 Puts 262359

■ NOTIONAL MEDIUM TERM GERM. GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 100.36 | 100.06 | -0.50 | 100.36 | 100.05 | 287 | 2025 |

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 111.85 | 111.69 | -0.51 | 112.38 | 111.07 | 78027 | 82202 |
| Sep | 112.00 | 111.20 | -0.57 | 112.00 | 110.70 | 441 | 1633 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 11150 | 1.55 | 2.59 | 1.36 | 2.89 |
| 11200 | 1.29 | 2.36 | 1.60 | 3.16 |
| 11250 | 1.06 | 2.15 | 1.87 | 3.45 |

Est. vol. total, Calls 6428 Puts 3421. Previous day's open int., Calls 79378 Puts 78671

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 98.02 | 97.78 | -0.43 | 98.23 | 97.30 | 99,999 | 110,836 |
| Sep | - | 100.20 | - | - | - | - | 104 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 106-21 | 106-13 | - | 107-04 | 105-18 | 143609 | 144035 |
| Sep | - | 105-16 | - | - | - | 0 | 196 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 106 | 1-51 | 2-38 | 1-25 | 3-06 |
| 107 | 1-19 | 2-11 | 1-57 | 3-43 |
| 108 | 0-58 | 1-51 | 2-32 | 4-19 |

Est. vol. total, Calls 1848 Puts 2823. Previous day's open int., Calls 92930 Puts 69969

**Ecu**

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 88.50 | 87.96 | -0.96 | 88.50 | 87.60 | 1,407 | 7,775 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 103-09 | 103-09 | -0-04 | 103-13 | 102-24 | 541,260 | 427,876 |
| Sep | 102-11 | 102-11 | -0-04 | 102-15 | 102-00 | 6,058 | 46,032 |
| Dec | 101-12 | 101-23 | -0-05 | 101-23 | 101-12 | 746 | 32,838 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 111.45 | - | - | 111.80 | 111.40 | 2317 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Tue Apr 19 | Day's change % | Mon Apr 18 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 122.65 | −0.78 | 123.61 | 1.10 | 4.13 |
| 2 5-15 years (24) | 145.71 | −0.34 | 146.53 | 1.35 | 4.84 |
| 3 Over 15 years (9) | 165.66 | −0.07 | 165.78 | 2.01 | 3.78 |
| 4 Irredeemables (6) | 189.88 | −2.64 | 195.00 | 4.16 | 1.47 |
| 5 All stocks (62) | 142.47 | −0.46 | 143.27 | 1.40 | 4.43 |
| **Index-linked** | | | | | |
| 6 Up to 5 years (2) | 185.02 | +0.01 | 185.01 | 0.23 | 2.63 |
| 7 Over 5 years (11) | 179.84 | - | 179.65 | 0.63 | 1.69 |
| 8 All stocks (13) | 179.31 | - | 179.31 | 0.58 | 1.77 |
| **Debentures and Loans** | | | | | |
| 9 Debs & Loans (73) | 134.20 | −0.06 | 134.29 | 2.09 | 3.78 |

| | Low coupon yield Apr 19 | Apr 18 | Yr. ago | Medium coupon yield Apr 19 | Apr 18 | Yr. ago | High coupon yield Apr 19 | Apr 18 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.83 | 7.38 | 6.91 | 7.75 | 7.57 | 7.21 | 7.94 | 7.65 | 7.43 |
| 15 yrs | 7.77 | 7.75 | 7.86 | 7.92 | 7.89 | 8.28 | 8.12 | 8.20 | 8.56 |
| 20 yrs | 7.77 | 7.75 | 8.11 | 7.92 | 7.89 | 8.43 | 8.05 | 8.05 | 8.64 |
| Irred.† | 8.04 | 7.82 | 8.55 | | | | | | |

| Index-linked | Inflation 5% Apr 19 | Apr 18 | Yr. ago | Inflation 10% Apr 19 | Apr 18 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.28 | 3.27 | 2.28 | 2.27 | 2.27 | 1.33 |
| Over 5 yrs | 3.43 | 3.43 | 3.48 | 3.24 | 3.24 | 3.28 |

| Debentures and Loans | 5 year yield Apr 19 | Apr 18 | Yr. ago | 15 year yield Apr 19 | Apr 18 | Yr. ago | 25 year yield Apr 19 | Apr 18 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (73) | 8.94 | 8.93 | 8.97 | 8.97 | 8.97 | 9.39 | 8.99 | 8.97 | 9.58 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Apr 19 | Apr 18 | Apr 15 | Apr 14 | Apr 13 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 95.78 | 96.92 | 97.51 | 95.62 | 117.13 | 95.89 | 107.04 | 95.78 |
| Fixed Interest | 115.57 | 117.13 | 116.62 | 116.41 | 117.04 | 111.80 | 133.87 | 115.14 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | Apr 18 | Apr 15 | Apr 14 | Apr 13 | Apr 12 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 82.4 | 73.1 | 92.0 | 88.9 | 84.9 |
| 5-day average | 85.5 | 85.8 | 88.9 | 87.6 | 89.9 |

## UK GILTS PRICES

[illegible]

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 19

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | |
| [illegible] | | | | | |

**COMPANY NEWS: UK AND IRELAND**

Printer hit by losses on disposal of two non-core businesses

# St Ives falls 33% to £7.1m

By Paul Taylor

Losses on the disposal of discontinued businesses led St Ives, the UK's largest independent printer, to yesterday report a 33 per cent contraction in interim pre-tax profits, despite an improvement at the operating level.

Profits before tax fell to £7.11m in the 26 weeks to January 28, down from £10.5m last time.

The decline came after exceptional costs of £4.93m – representing goodwill previously written off to reserves – on the disposal of two non-core businesses, Talbot Publishing Systems in December and Nelson Packaging last month.

Earnings per share slipped to 3.02p (7.24p), but the interim dividend is increased by 27 per cent to 1.9p (1.5p). This is the first increase in the interim dividend since 1990 and Mr Miles Emley, chairman, said it represented a move towards "a more conventional" one third to two thirds split between the interim and final.

Ashley Ashwood

Miles Emley, chairman (left) and Brian Edwards, managing director: only a patchy recovery in trading conditions

The shares dipped 6p to 400p.

Operating profits increased to £11.6m (£9.86m) despite a £118,000 loss on discontinued activities. Mr Emley described the results as "a satisfactory outcome in trading conditions which have shown only a patchy recovery and remain extremely competitive".

In the group's core magazine printing business, some growth in sales, partly as a result of increased paginations, and the replacement of low margin work resulted in firmer margins and an improved performance.

Meanwhile the launch of a number of supplements by national newspaper publishers has taken up significant printing capacity in the industry as a whole.

Volumes were flat in the group's book business, although sales in the US bible market have increased considerably.

The group ended the period with net cash of £22.5m.

● **COMMENT**

St Ives' underlying results were in line with market expectations. Despite the chairman's cautious remarks, it is clear that the group is already benefiting from a modest upturn in volumes. Capacity utilisation in the UK print plants has edged up to about 80 per cent and overall pre-tax margins have increased from 10 per cent to 10.7 per cent. Providing this improvement is sustained, pre-tax profits should climb to about £25m this year, producing earnings of about 16.6p. The shares are trading on a lofty prospective multiple of 24, but are worth holding.

## Christian Salvesen makes FFr57m frozen food buy

By Andrew Bolger

Christian Salvesen, the international distribution, specialist hire and food services group, has expanded its French distribution business in a deal worth FFr56.5m (£6.5m).

The Edinburgh-based group is paying FFr36.5m for the assets of the Gel Service group, which specialise in frozen food distribution, and is also assuming debt of FFr20m.

Gel was founded more than 30 years ago and operates from two sites close to Lille and Lyon, distributing frozen food for retailers and caterers. Salvesen will inherit the existing management and 160 employees.

Mr Chris Masters, chief executive, said: "This acquisition forms part of our strategy of actively growing our international distribution business. Added to our existing facilities in France, Gel Service will allow us to offer a national network of multi-user sites and services to existing and potential customers."

**DIVIDENDS ANNOUNCED**

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Asda Property | fin | 1.5† | July 1 | 1.45 | 2.2 | 2.1 |
| Bodycote Intl | fin | 3.25† | July 1 | 3.125* | 5.25 | 5* |
| Boosey & Hawkes | fin | 19 | June 9 | 16 | 25 | 22 |
| Golden Vale | fin | 1.35§ | June 28 | 1.13 | 1.95 | 1.63 |
| Ibstock Johnsen | fin | 0.5 | July 1 | 0.5 | 1 | 1 |
| River & Merc Ext | int | 1.9687‡ | June 3 | 1.9687 | - | 7.875 |
| St Ives | int | 1.9 | June 6 | 1.5 | - | 5.5 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §Irish pence. ‡Second interim making 3.9375p (same) to date.

## Pittencrieff demerger to be delayed by a week

The demerger of Pittencrieff, which is splitting its natural resources division from its US-based telecommunications business, is to be delayed by a week following a $51.8m (£35.4m) deal in the US.

Pittencrieff Communications, which is 54 per cent owned by the UK quoted natural resources group, announced on Friday that it is buying 600 mobile radio channels in the south-west US which will more than double its subscriber base.

As a result, documents detailing the demerger due to be posted on Thursday will not now be sent before next week. "It is a bit annoying," said one of the company's advisers yesterday. "It is like going through divorce proceedings and suddenly finding out that your partner is really good in bed."

The company said the financial structure of the demerger remains unaffected, although it is likely the acquisition will have to be approved by the parent company's shareholders.

Pittencrieff is proposing to change its name to Pittencrieff Resources and will apply for a London listing.

Pittencrieff Communications will be sold through a placing and open offer and quoted both on Nasdaq in the US and in the UK.

### Newarthill returns to black with £1.4m

Newarthill, the holding company for Sir Robert McAlpine, the civil engineer, made pre-tax profits of £1.38m in the year to October 31, against losses of £20.7m.

Turnover fell to £221.5m (£268.1m) and operating losses were cut to £3.05m (£18.4m). Behind the pre-tax gain were exceptional profits of £9.64m (£3.13m) and reduced net costs for interest and write-backs of £4.6m (£6.68m).

Earnings emerged at 6.2p (losses 152.4p).

## Golden Vale up 14% as acquisitions hit margins

By Tim Coone in Dublin

Golden Vale, the Irish dairy group, reported a 14 per cent increase in pre-tax profits from I£16.7m to I£19m (£18.5m) for the year to December 31.

Turnover rose 42 per cent from I£298m to I£423.2m, including I£47m from acquisitions. Exports accounted for I£297m of the total.

Operating margins fell as a result of a series of acquisitions made during the year, according to Mr Jim O'Mahony, chief executive.

He anticipated a return to "historically higher than average margins" from rationalisation measures being carried out in the new companies. However, "profit maximisation" from the acquisitions would not occur before 1995.

The acquisitions of Leckpatrick Dairies in Northern Ireland, and Vonk and VM in Denmark and the Netherlands respectively, contributed significantly to higher net borrowings of I£94.8m at the year end, compared with I£7.5m a year earlier.

A total of I£83.3m was spent on acquisitions in 1993 including assumption of debts.

Year end gearing was 139 per cent after a goodwill write-off of I£30.2m, against 8.8 per cent at the start of the year. Total net assets increased from I£87.5m to I£93.3m.

Mr Liam Irvine, finance director, said that although gearing seemed high, the company was comfortable with the level of borrowing, an interest cover of 7.3 and cash flow generation of I£25m during 1993.

The company plans further expansion into the European market and the development of new products to achieve greater value-added on its primary dairy products. Turnover of primary dairy products fell from 25 per cent to 18 per cent of the total in 1993.

Earnings per share were up 9 per cent at 10.02p (9.2p) and a final dividend of 1.35p is recommended for a total of 1.95p (1.63p).

# Keller flotation price set at 130p for £72.8m tag

By Andrew Bolger

Shares in Keller Group, an international ground engineering group, are being floated at 130p, giving the group a market capitalisation of £72.8m.

Keller specialises in improving ground for the construction industry, using a variety of drilling, grouting and piling techniques. Projects outside the UK account for more than 80 per cent of sales.

Because Keller makes most of its profits outside the UK, it intends to become one of the first companies to employ foreign income dividends, which should reduce the group's unrelieved advance corporation tax problem.

A placing and intermediaries offer will raise £15.3m, which will be used to repay existing borrowings and help fund further overseas expansion. About £27.7m will be raised by the sale of shares by existing shareholders.

A former engineering offshoot of GKN, Keller was bought by its management for £26m three years ago, backed by funds led by Candover Investments.

In spite of recession, Keller has increased operating profits by 46 per cent since 1991 from £6.3m to £9.2m on turnover up by 30 per cent to £148m. It has benefited from the recent building boom in Germany, which accounted for 43 per cent of last year's sales.

The issue has been underwritten by Kleinwort Benson Securities, sponsors and brokers to the issue.

Applications for the intermediaries offer close next Wednesday, and dealings are expected to start on May 5.

● **COMMENT**

Niches do not come much more obscure than Keller's, but the group has a good reputation in the arcane world of ground engineering and a solid record of profits growth and cash generation. The shares have been priced not in line with the UK construction sector, where ratings assume a great deal of recovery, but on a prospective multiple of 13, putting them on a discount to the market as a whole. Concern that the German building boom will eventually falter can be set against growth prospects in the US, where Keller has just made a $9m (£6m) acquisition. Overall, the unaggressive pricing should ensure a good platform of support for the shares.

## Lombard Insurance coming to market with £65m valuation

By Simon Davies

The forthcoming flotation of Lombard Insurance Group will value the company at more than £65m, compared with the £32m at which it was purchased from Continental Inc in a management buy-out last May.

Lombard is forecasting pre-tax profits of £8.65m for the year to June 1994, up from £5.68m in the previous 12 months, as a result of increased investment income and steady growth in gross premium income.

The company is emerging from what has been an exceptionally tough period for the industry, having lost money on underwriting in both 1991 and 1992.

However, in the three years to December 1993, it achieved underwriting margins – underwriting profit/loss as a percentage of net premium income – significantly better than large insurers, such as Commercial Union and Sun Alliance. Underwriting income grew by 67 per cent during that period.

Lombard is a regional insurance company which has avoided the volatile London insurance market and concentrated on low to moderate risk insurance. In 1993, some 65 per cent of premiums were for personal insurance with the remainder from small and medium-sized businesses.

It has concentrated on short tail business, where the claims are likely to emerge within the period of cover. However, it has an indemnity from Continental, covering any claims from business undertaken before the May 1993 buy-out.

The company will issue shares through a placing and intermediaries offer. The proceeds, after costs and the redemption of outstanding preference shares, will be £16m.

The company said the flotation would raise its profile, and the proceeds enable it to achieve a solvency margin similar to other listed insurers.

The pricing of the issue will be announced on May 5, and dealings are expected to commence on May 18.

## Vymura £10m placing to repay backers

By David Wighton

Vymura, the wallcoverings company which is floating next month with a value of about £40m, is looking to raise about £10m via a share placing handled by BZW and UBS.

Just over half the money will be used to repay preference shares held by institutions who backed a management buy-out in 1992.

Vymura's operating profits rose by almost 40 per cent to £3.96m last year and the pathfinder prospectus, published yesterday, reveals that sales to DIY superstores have seen "significant increases" in the first quarter.

Mr Tom Smail, chief executive, said: "We budgeted for strong sales and have seen them, though we still have to see what the real impact of the tax increases will be."

He believes the company has room to grow in the UK, where it has some 14 per cent of the market, and even greater opportunities overseas.

The placing price is expected to be announced on May 5.

COMPANY NEWS: UK

Reorganisation costs responsible for deficit but outlook optimistic for 1994

# Reduced £19m loss at Ibstock Johnsen

By Paul Taylor

*Ibstock Johnsen*, the UK's third largest brick maker, yesterday reported a pre-tax loss of £18.7m for 1993 after further reorganisation costs of £20.7m, but said both its brick and pulp businesses should now benefit from a gradual *increase* in demand.

The loss represents an improvement over the £27.6m deficit recorded in 1992 when *reorganisation* and closure costs totalled £26.6m.

The bulk of the 1993 reorganisation costs related to the closure of one of the group's two Portuguese pulp mills and were disclosed at the interim stage. These costs were partly offset by a £4.51m profit on disposals.

*Losses per share* were reduced to 5.69p (9.86p) and the proposed final dividend is held at 0.5p, making an unchanged total of 1p.

*The shares* closed up 1p at 86p.

Group turnover fell to £235.5m (£277.4m), but the decline entirely reflected discontinued operations.

Turnover from continuing operations advanced by 6 per cent, from £176.6m to £186.9m.

"For most of the year the group continued to experience depressed markets and distressed prices, although in the final months there were some *signs of more favourable conditions*," said Mr Colin Hope, chairman.

At the operating level, the UK brick operations improved from £2.74m to £3.03m on sales of £57.8m (£54.7m) in spite of the adverse effect of limiting production to reduce stocks.

In the US the building materials operations achieved a *modest turnround with profits* of £808,000 compared with a £1.64m loss while the Portuguese building products and sanitary ware activities reported a decline in operating profits to £619,000 (£1.48m) reflecting deteriorating market *conditions*.

Uneconomic prices for pulp resulted in the forest products operation reporting a larger £4.22m loss on continuing operations compared with losses of £2.8m on turnover down to £37.4m (£42.3m).

Pre-tax profits were further depressed by net interest costs of £2.94m compared with receipts of £660,000 in 1992.

Group debt fell from £42.9m to £35.6m, equivalent to gearing of 18 per cent.

● **COMMENT**

Having completed the reorganisation of the brick and pulp businesses, Ibstock should now begin *to benefit* from the steady improvement in demand for bricks in the UK, higher capacity utilisation and possible price increases later this year. However, it is difficult to see margins returning to the heady levels of the late 1980s. Pre-tax profits of £7m look likely this year producing earnings of about 2p, but even based on a *peak profit estimate of* say £30m at the top of the cycle the shares look to be fully valued.

## Chelsfield back in the black with £3m

By Vanessa Houlder, Property Correspondent

Chelsfield, the property company headed by Mr Elliott Bernerd that joined the stock market in December, yesterday announced pre-tax profits of £3.2m for 1993, against losses of £18m last time.

Net assets per share increased from 147.3p to 160p and after adjusting for last December's share issue, there was a 15 per cent rise in shareholders' funds over the year.

*The company has put off* plans to list its Atlanta residential apartments – in a joint venture with P&O – as a Real Estate Investment Trust on the New York Stock Exchange, as a result of the volatility of the US equity market.

However, Chelsfield said it was still seeking "progressive realisation of value" from the portfolio, which it acquired when *it bought Laing Properties* with P&O in 1990.

Chelsfield said it was beginning redevelopment on a £4m scheme in New Bond Street, London. It also expects to begin work on the redevelopment of Wool House, south-west London, later this year. The company has planning consent to build 115,000 sq ft of offices to a design by the late Sir James Sterling.

Since the year end, the company has sold about £10m of property.

Operating profits increased from £1.38m to £17.3m, mainly because of an increase from £7.76m to £13.7m in net income from properties, and a turnround in fixed asset investment income from a £2.07m loss to a £6.51m profit.

Costs relating to the reorganisation of Pall Mall Properties fell from £5.35m to £866,000. Net finance costs fell from £16.7m to £13.9m.

Net borrowings at the year end totalled £143.4m, leaving net gearing at 57 per cent.

Earnings per share were 4.1p, compared with losses of 26.6p. As anticipated at the *time of listing*, the group has not paid a dividend for 1993, but 2.4p is expected for the current year.

## London International closes three plants

Mr Nick Hodges (above), the chief executive of London International Group, yesterday announced the closure of three UK plants: a condom plant in Chingford, near London, with 600 jobs going; a surgical gloves facility at Llanelli, south Wales, with 240 jobs going, and the health and beauty aids plant in Dundee, Scotland, cutting 60 jobs, Maggie Urry writes.

Another 100 jobs will be eliminated at the group's head office.

The redundancies and other costs *will amount to £19m* in cash, but LIG hopes to recoup this from the sale of some of its health and beauty brands.

Savings are expected to amount to £6m in the first full year and £8m in the second.

Mr Hodges said that in future the UK condom market would largely be supplied *from plants in Spain and Italy*, where automation kept costs lower.

Surgical gloves would come from south-east Asia; Mr Hodges blamed pressure on margins from the health service *for the shift to lower cost* production.

## Go-Ahead pathfinder sets £4m profit target

By Andrew Bolger

*The Go-Ahead Group*, a Gateshead-based bus service operator to be floated soon with a market value of more than £40m, has forecast that it will make operating profits – before exceptional costs – of *more than £4m for the current* financial year.

The pathfinder prospectus, published yesterday, also said operating margins for the first half to January 1 showed further improvement.

*The flotation is by way of a* placing with institutions and offer of 5 per cent of the equity to the 3,500 employees. It is being sponsored by Hill Samuel, with Panmure Gordon as broker to the issue. Impact *day will be next* week.

Go-Ahead plans to focus on urban transport and has recently acquired the Brighton & Hove Bus and Coach Company and the Oxford Bus Company. The group operates more than 1,000 buses, with an annualised turnover of more than £75m. The proceeds of the placing will be used to repay £12m of debt.

Mr Trevor Shears, finance director, said exceptional costs would be about *£1m*, mainly in respect of payments for changing *conditions of* employment and redundancies.

# Richmond Oil wins more time

By Peggy Hollinger

Richmond Oil and Gas, the natural resources company whose shares have been suspended at 4½p since September, has been given a temporary reprieve from delisting following an appeal to the Stock *Exchange Quotations Committee*.

The company, which has lost or sold virtually all of its original assets since flotation in 1989, now has six months in which to fulfil conditions relating to its business if it is to retain the quote. At the annual meeting in February the company *had said it expected the shares to resume* trading within weeks.

If the suspension is eventually lifted, Richmond will have to submit detailed financial information as if coming to the *market for the first time*. This is likely be an expensive process for the lossmaking company.

Two previous applications to have the suspension lifted were rejected on the *grounds that Richmond* was unable to demonstrate "it had a business sufficient to support its expected market capitalisation".

The company's main asset is an interest in a Siberian joint venture to enhance oil production. Richmond has not been forth*coming on details of the venture, although* it said letters of intent had been signed for projects in two eastern European countries. In March, the company issued shares to repurchase its interest in the venture *from Northstar Energy, a Panamanian* company owned by Annum International, a Luxembourg vehicle for Lithuanian and US interests.

Richmond has been beset with difficulties in recent years. In 1992 creditors foreclosed on its main asset, while the sale of certain properties has been revised and delayed several times. Transactions surrounding its flotation and a subsequent rights issue are under investigation by the Serious Fraud Office.

*The company said this week it was con*fident it would meet the Stock Exchange conditions.

# Expanding Asda Property lifts net asset value by 42% to 111p

By Simon Davies

*Asda Property Holdings*, the property investment group headed by Mr Manny Davidson, yesterday announced a 42 per cent increase to 111p in undiluted net asset value per share over the 1993 year.

*Pre-tax profits* rose 4 per cent to £6.25m (£6.02m) despite the impact on the previous year's figures of the sale of the residential portfolio.

The company has been expanding at a rapid pace, acquiring £33m of properties in 1993, partly funded by a £16.3m rights issue last July. These properties achieved an average increase in value of 40 per cent at the year end, compared with *a 12 per cent increase from the* existing portfolio.

Mr Davidson, chairman, said: "The strong increase in investor demand in the latter part of the year led us to change from an aggressive buyer to, in *some instances*, an aggressive seller, with the consequence that borrowing is at a lower level than may have been expected 12 months ago."

Including the £14.9m of preference shares as debt, the group *had net borrowings of* £72.1m, representing gearing of 83 per cent. Finance charges dropped to £5.94m (£10.7m).

In December, it acquired the Wheatley Retail Park in Don*caster from the receivers for* £5.1m. The property was only half let, with income of £450,000, but Asda has already boosted rental income to £1m.

Total net rental income amounted to £11.4m (£11.2m), *while profits on disposal of* trading properties were £2.95m (£7.94m). The rent roll is now running at £13m, and the company said that given current voids, this figure could increase by a further £1m.

A *proposed final dividend of* 1.5p makes a total of 2.2p (2.1p), payable from earnings of 6p (7.7p) per share.

## BDA returns to black as activity rises

BDA Holdings, the property investment and services group, reported increased activity in *the year to the end of January* resulting in a turnround from losses of £1.16m to profits of £152,000 pre-tax.

Turnover improved from £1.33m to £1.98m. The result was helped by a release of pro*visions on carrying* value of properties of £100,000, against provisions last time of £1.2m.

On prospects, Mr Brian Duker, chairman, said: "We are finding that transactions are price sensitive at all levels and *therefore believe that margins* will remain constrained."

Earnings per share were 0.8p (6.4p losses).

## Ex-Lands purchase

Park-Lands (London), the 50.1 per cent owned *subsidiary* of Ex-Lands, is acquiring Lansdown Industrial Estate, Cheltenham, for £4.7m cash.

The freehold estate has been independently valued by Drivers Jonas at not less than the purchase price. Annual net rental income is about £580,000.

The estate covers some 13.5 acres. The existing buildings provide a gross usable floor area of about 335,000 sq ft.

## River & Merc Extra

River & Mercantile Extra *Income Trust had* a net asset value of 125.75p per ordinary share at end-March 1994 against 104.74p a year earlier. The value per zero dividend preference share was 107.1p.

Net available revenue for *the half year improved to* £1.71m (£1.35m) for earnings of 4.6p (3.65p) per share. An unchanged second interim dividend of 1.96875p is declared, making 3.9375p (same) so far.

## COMPANY NEWS: UK

# Weak clothing sales leave Bodycote lower

By Tim Burt

Shares in Bodycote International fell 13p to 292p yesterday as the metal technology, packaging and textiles group blamed weak clothing sales for a 13 per cent decline in profits.

Falling demand for Bodycote's workwear range – produced by EHCO-KLM, its Dutch subsidiary – pushed pre-tax profits down from £13.6m to £11.8m in the year to December 31.

Citing shrinking margins in continental Europe, the company said it had been forced to close one of its two Dutch plants.

The £435,000 cost of closing the Haaksbergen plant, where there were 70 redundancies, contributed to a reduction in operating profits to £12m (£13.7m).

Mr Roger Green, finance director, said: "Pricing has been cut-throat and we were disappointed with the figures, particularly in Holland."

Although profits fell from £2.3m to £511,000 at EHCO-KLM, which manufactures protective clothing and uniforms, Mr Green said that orders had picked up in recent months.

The industrial division, meanwhile, reported reduced profits of £2.37m (£2.45m) following a management reorganisation at Stockpack, its packaging subsidiary.

That flat performance was offset partially by Metal Technology, Bodycote's main forging and reinforcement business, where profits rose from £9.25m to £9.77m.

Mr Green said the metals division had been boosted by increased demand for its "hot isostatic process", which strengthens and reinforces aluminium and steel castings.

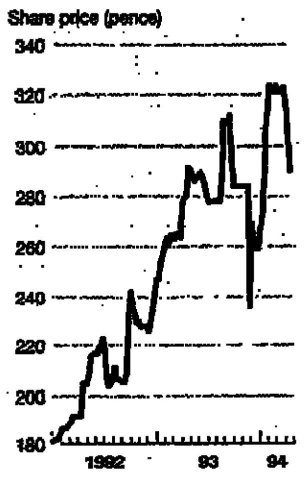
Of the group's £15m investment programme last year, £5.2m was spent on HIP facilities and he predicted it would be the mainstay of future growth.

Although the division reported increased sales of £41.4m (£38.2m), it failed to stem a 6.6 per cent decline in group turnover to £75m.

Nevertheless, Mr Green expressed optimism about sales this year and said acquisitions were likely.

Earnings per share fell from 15.8p to 14.1p, but Mr Green said confidence about future prospects justified a final dividend of 3.25p, making a total of 5.25p (5p).

**Bodycote International**




Source: Datastream

# Boosey ahead and splits shares

By David Blackwell

Boosey & Hawkes, the instrument maker and music publisher, increased profits by 3.6 per cent over 1993 and announced a 5-for-1 share split.

Pre-tax profits were £4.38m (£4.23m). Exchange gains of £250,000 helped to offset reorganisation costs of £530,000 incurred in Japan, Germany and France.

Earnings per share were ahead 14 per cent at 76.8p (67.5p), following a tax charge of £1.38m (£1.58m). The lower charge of 31.5 per cent (37.4 per cent) resulted from the utilisation of tax losses in Germany, the UK and the US and was not expected to be repeated this year.

A final dividend of 19p is proposed, giving a total for the year of 25p (22p).

The shares yesterday closed at £12.75p, up 12p on the day. Mr Richard Holland, chief executive, said the board was proposing the split as the price was "a bit weighty for a company this size".

Mr Holland described the results as a considerable achievement in the face of difficult market conditions, especially in Japan which accounts for 20 per cent of group sales.

Turnover rose from £59.4m to £66.5m through marginally higher volumes and favourable exchange gains. The instrument division, which accounted for 80 per cent of turnover, suffered a slight fall in operating profits after the reorganisation charge.

In January the group, which makes mainly brass and woodwind instruments, paid £390,000 for Karl Höfner, a German string instrument and guitar maker with annual sales of DM10m (£4m). Mr Holland said the acquisition would strengthen the group's position in the instrument market.

Sales of Gorecki's Symphony No 3 continue to help the publishing division, which also has Rakhmaninov, Britten and Stravinsky on its books. The group expects the EU's lengthening of the term of copyright from next year to 70 years from the death of a composer to bring long-term benefits.

Publishing turnover rose by 16 per cent to £13.6m, and operating profit by 12 per cent to £4.3m.

Group borrowings fell by £1.1m to £13.2m, giving gearing of 58 per cent (68 per cent).

# Regina £269,000 in the red

By Simon Davies

Regina, the USM-quoted royal jelly company, yesterday announced pre-tax losses of £269,000 for the six months ended February, against £143,000 profits previously.

The announcement of the results was brought forward to provide further ammunition for the current directors in their attempts to fight off Mr Shiraz Malik-Noor, the former chairman, who is trying to regain control of the board.

The company saw sales drop by 43 per cent at the interim stage to £683,000 (£1.19m).

Losses per share were 0.19p compared with 0.09p earnings.

Mr Malik-Noor was removed in March and is pushing for reinstatement at an extraordinary meeting on Monday.

The company's problems, however, appear to have started long before he joined.

It has lost close to £7m in the last four and a half years, of which £5m was suffered before Mr Malik-Noor took any executive responsibilities.

# GKN lifts Westland stake to 91%

By Tim Burt

GKN, the engineering and industrial services group, yesterday said it had won control of 90.8 per cent of Westland following its revised offer for the helicopter manufacturer.

The 335p cash offer, which values Westland at £577m, was accepted by shareholders controlling 126.8m ordinary Westland shares.

GKN has also agreed to buy a further 1.1m ordinary shares, which will take its total interest to 91.6 per cent.

The near-complete takeover should enable GKN to derive the tax advantages that, it could be argued, first prompted the bid.

By integrating Westland into its own defence business, the proportion of GKN's sales originating in the UK should exceed 40 per cent.

This would allow it to recover more advance corporation tax to set against its mainstream tax liability.

The engineering group, however, has been forced to scale back its partial share alternative – worth 194.7p in cash and a quarter of a new GKN share – after it was almost 30 per cent oversubscribed.

Institutions applied for 33.6m shares, against the 28m available, after calculating the partial share offer was worth almost 3 per cent more than the cash alternative.

GKN has, meanwhile, received valid acceptances for 92.47 per cent of Westland's convertible preference shares and 86.24 per cent of the warrants.



## EXECUTIVE PAY

# BTR chief's salary revealed for first time

By Andrew Bolger

The salary of Mr Alan Jackson, chief executive of BTR, has for the first time appeared in the industrial conglomerate's annual report.

It shows Mr Jackson earned between £510,001 and £515,000 in the year ended December, compared with between £460,001 and £465,000 in 1992.

Previously Mr Jackson's salary had not been shown in the accounts because his duties were considered by BTR to be discharged mainly outside the UK.

The 1985 Companies Act requires only the salary of the chairman and UK executives be published. The act also states this information "need not be given in respect of a director who discharged his duties as such wholly or mainly outside the UK".

BTR last year published the salaries of its three non-UK directors after analysts and institutional investors expressed surprise that Mr Jackson was deemed to come into this category. Last year about 75 per cent of BTR's turnover came from outside the UK.

The annual report says BTR is still not complying with the Cadbury recommendation that companies should have an audit committee confined to non-executive directors who should have a discussion with the auditors at least once a year, without executive board members present, to ensure that there are no unresolved issues of concern.

BTR's audit committee comprises all directors, including executives. The report says: "BTR believes all directors should be aware of and accept responsibility for matters dealt with by this committee. The auditors may raise any relevant issue with any of the directors, just as all directors have access to the auditors."

# Kwik-Fit head recovers previous cut

Mr Tom Farmer, chairman and chief executive of Kwik-Fit, the tyre, exhaust and brake fitter, received a 49.6 per cent pay increase last year, reversing the cut he took in the previous period, writes Paul Taylor.

The annual report shows he received pay and benefits totalling £350,000 in the 12 months to February 28, up from £234,000 the previous year when his pay was cut from £342,000 as profits slumped. Profits, down from £32m to £17.1m in 1992-93, rebounded by 49 per cent to £25.4m last time.

Mr Farmer's total remuneration package, including pension contributions of £262,000 (£267,000), increased to £612,000 last year, up from £501,000.

# Caradon chief gets £0.25m bonus

Mr Peter Jansen, chief executive of Caradon, the building products group, received a bonus of £246,000 in 1993, taking his remuneration to £538,000, up from £369,000 in 1992 when his bonus was £77,000, writes Maggie Urry.

The bonus reflected the £100.3m profit Caradon made on selling its 25.3 per cent stake in CarnaudMetalbox, the packaging group, which resulted in a doubling of earnings per share including the exceptional profit.

Mr Jansen's basic salary rose from £291,000 to £312,000, while his pension contributions were unchanged at £156,000.

# Gartmore chairman receives £945,000

By Norma Cohen, Investments Correspondent

Mr Paul Myners, chairman of Gartmore, the fund management company, received a total of £945,000 in 1993, about half of which represented loyalty payments to senior staff promised when Banque Indosuez bought the company in 1989.

Last November, Banque Indosuez sold a 25 per cent stake in the company in a public flotation. The staff retention scheme, which paid Mr Myners £425,000 in 1992 has since expired and been replaced with an alternative.

Gartmore's first annual report to shareholders shows Mr Myners' 1993 basic salary as £241,000, against £228,000. He also received a performance-related bonus of £205,000 last year, up from £98,000.

In 1993, Gartmore reported pre-tax profits of £24.6m, against a loss of £2.1m in 1992, reflecting non-recurring items. Assets under management rose from £12.8bn to £21bn in 1993.

# Inchcape Chinese Rolls-Royce deal

Inchcape, the international marketing and services company, has been appointed Rolls-Royce importer and distributor for China. It plans to establish dealerships in Beijing, Shanghai and Canton.

Inchcape is to form a new company, Rolls-Royce Motor Cars of China, and is aiming for gradual growth from the current level of between 30 and 40 sales a year.

● Inchcape has also sold Whetstone Garage to Europe Energy Group for £1.21m, to be satisfied by £609,000 cash and the placing of 4.71m new Europe Energy ordinary shares with institutions. There will be a further payment of £500,000 for Whetstone's inventory.

Whetstone will be renamed Millenium Motor Holdings.

It is Europe Energy's first acquisition since Mr Gerald Davison, former chairman of Keep Trust and managing director of Honda UK, was appointed chairman and chief executive. He intends to turn the USM-traded group from an energy company into a vehicle retailer.

هكذا من الأصل

# In every language De Beers serves a growing diamond world

Points from Julian Ogilvie Thompson's
1993 Chairman's Statement

In the United States sales of higher priced items of diamond jewellery recovered in 1993 and in East Asia demand has increased substantially. Taiwan, Korea and Thailand are now the fourth, fifth and sixth largest diamond consuming countries and China, from a low base, is showing rapid growth.

Prospects in the United States again look healthy and vigorous growth is forecast in most countries of East Asia. Aggregate retail sales of diamond jewellery worldwide are expected to be ahead of last year and the rough diamond market experienced a firm opening in 1994.

### Record sales

The combined profits of De Beers and Centenary recovered by 21 per cent to US$595 million. Equity accounted earnings were up 15 per cent at US$873 million and the total dividend was raised by seven per cent. Total rough diamond sales for the year were a record US$4,366 million – 28 per cent higher than in 1992.

### Single channel marketing

This year the CSO and its clients celebrate the 60th anniversary of the Diamond Trading Company, founded in 1934 as part of the structure Sir Ernest Oppenheimer had devised to stabilise the industry.

Everyone involved in the diamond business – whether producers, host governments, cutters, jewellery manufacturers, retailers or consumers – benefits from this proven approach.

One has only to recall the chronic fluctuations in the industry and the impact on profitability and employment in the decades before 1934, when the industry was on the verge of collapse, to appreciate why all major producers and their governments consider it to be in their mutual interest to be committed to the CSO.

### Partners, producers and prospecting

Concern has been expressed by the CSO and in the cutting centres over Russia's sales policy. We have good reason, however, to believe that stability in the diamond market and co-operation between the De Beers/Centenary group and Russia, the world's two major producers, are widely recognised as being in the common interest. The Russian authorities continue to state that they have no wish to destabilise the diamond market, and we are confident that co-operation will extend beyond the life of the present contract.

Our relationship with the Botswana government, our partners in Debswana, a major world producer, is particularly close and negotiations with the Namibian government on the restructuring of CDM are progressing well.

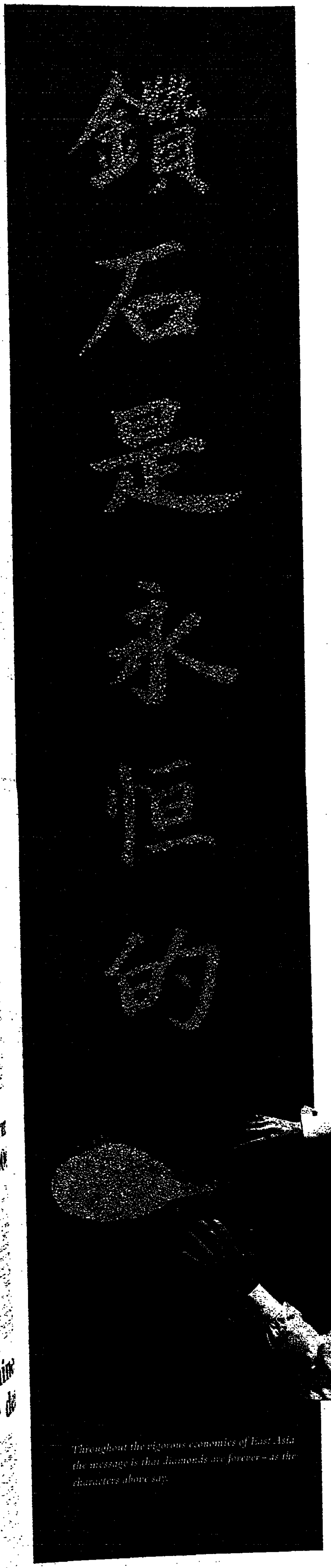
Our discussions with the Angolan government will, it is hoped, lead to important decisions on buying, prospecting, mining, and marketing that could make a major contribution to economic recovery when peace is finally restored. We are in negotiation with the Tanzanian government over the rehabilitation of the Williamson mine and, following agreement with Ghana, a bulk sampling programme of the Birim river deposits has started. We have also reached agreement with Zimbabwe on the marketing through the CSO of diamonds from any mine we may discover.

We are actively prospecting, with some encouraging results, in eight countries on four continents including large areas in Canada's Northwest Territories, which appears likely to become a diamond producer in the foreseeable future.

### South Africa

I am confident that De Beers will be able to develop relations with the new Government in South Africa at least as constructive as those it enjoys with other governments in Africa and elsewhere. De Beers/Centenary together form a truly international group, with roots that remain in South Africa. It shares with the majority of South Africans the hope that our political leaders, meeting at the highest level, will successfully address the issues that are greatly jeopardising the holding of free and fair elections.

The full Chairman's Statement with the Annual Reports of the two Companies for the year ended 31st December 1993 has been posted to registered shareholders. Copies may be obtained by writing to the London address below.




*Throughout the vigorous economies of East Asia the message is that diamonds are forever – as the characters above say.*

**De Beers Consolidated Mines Ltd** **De Beers Centenary AG**

De Beers Consolidated Mines Limited (Incorporated in the Republic of South Africa), London Office, 19 Charterhouse Street, London EC1N 6QP.
De Beers Centenary AG (Incorporated under the laws of Switzerland), Head Office, Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland.

# Lac withdraws from Chilean copper mine bid

By David Pilling in Santiago and Kenneth Gooding, Mining Correspondent, in London

Codelco, the state-owned Chilean mining group, yesterday faced further embarrassment over the sale El Abra, one of the world's biggest undeveloped copper deposits, when Lac Minerals of Canada withdrew from the project.

Lac said it would transfer its interest in El Abra to its partner, Cyprus Amax Minerals of the US, if their bid for 51 per cent of El Abra was successful.

Nevertheless, Mr Juan Villarzú, Codelco's new president, said his group would continue to negotiate with Cyprus.

Cyprus-Lac last year offered $555m for the 51 per cent stake and estimated it would require investment of $1bn for a mine to produce 225,000 tonnes of copper a year. But in February the partners delayed signing the contract, saying test work showed ore grades at El Abra might be significantly lower than originally estimated.

Mr Juan Villarzú, president of Codelco, said yesterday that Cyprus still had until May 15 *to continue testing*, by which time the US group would have to make its position clear. He did not rule out the possibility of Codelco accepting a lower bid. "If they made an alternative offer, we would have to evaluate it at that time. . . when the bid is on the table," he said

Mr Villarzú backed away from earlier statements by Codelco, threatening to sue Cyprus-Lac if they reneged on the original offer. He stressed that "no contracts have been signed by either side".

However, Codelco will come under pressure from Magma Copper of the US and Broken Hill Proprietary, Australia's biggest company, if the deal with Cyprus is not concluded. Mr Burgess Winter, Magma's president, said recently that, under the rules of the tender, failure to conclude a deal with the highest bidder was to have resulted automatically in the start of negotiations with the underbidder.

Magma-BHP bid $240m for the El Abra stake, $10m ahead of RTZ of the UK. He said the gap between the two highest bids reflected the fact that Magma-BHP's test work suggested that El Abra could support annual output of 160,000 tonnes, against the 225,000 tonnes looked for by the highest bidders.

Yesterday's withdrawal by Lac suggests the Canadian company has come to a similar conclusion about El Abra's production potential. As a gold company attempting to jump into base metals mining, it may well feel that El Abra no longer looks big enough. Cyprus, meanwhile, already has copper, coal and gold as core operations.

Mr Villarzú said that Codelco had not yet decided whether to begin negotiations automatically with Magma-BHP or to start a new round of bidding if the Cyprus offer proved unacceptable.

Controversy has dogged the El Abra sale, the first disposal of a big ore body by the group and supposed to set a pattern for other privatisations. Mr Villarzú admitted that there were shortcomings to Codelco's auction process, in which consortia were publicly ranked, and negotiations started with the top-placed bidder. "The experience we have had. . . suggests that, if we had to do it again, we would revise the procedure in some respects," Mr Villarzú said.

Lac said the financial cost of its withdrawal was "not material". It suggested Cyprus would complete further technical studies by May 15, in time for further negotiations with Codelco.

# NZ farmers find life after subsidies surprisingly rewarding

By Alison Maitland

Farming without subsidies can be good for farmers and the environment, as well as the taxpayer and the consumer.

That is the message that New Zealand farmers, who have operated without subsidies for 10 years, will take to the World Farmers' Congress in Istanbul next month.

It is timely for agriculture worldwide, given the requirement under the Uruguay Round agreement that trade-distorting domestic support for farmers be cut by up to 20 per cent over six years.

Mr Graham Robertson, president of Federated Farmers of New Zealand, the national farmers' organisation, explained the sea-change in agricultural policy and farmers' attitudes during a visit to *London yesterday*.

He said government support had become anathema to rural New Zealand. "The real challenge in the long run is for farmers to get government right out of the job. . . Markets are more reliable than politicians and governments."

New Zealand is an agricultural powerhouse, and Mr Robertson stressed that reform in other countries would be different. It exports 50 per cent of the world's trade in sheep meat. Agricultural produce accounts for 60 per cent of exports, and farming and agribusiness employ 11 per cent of the workforce.

Subsidies, which accounted for nearly 40 per cent of farmers' gross income, were withdrawn in 1984. The consequences, exacerbated by deep recession, were painful, though less so than expected.

About 800 farms, or 1 per cent of the total, failed, against predictions that 8,000 would go under. Farmers leaving the land were given a one-off "exit grant" equivalent to about two-thirds of their annual income.

The number of full-time farm workers fell from about 22,800 in 1984 to 19,600 in 1987, but then recovered to 23,300 in 1991.

The withdrawal of subsidies, coupled with labour deregulation, pushed down farm costs. Stripping out interest rate cuts, net costs to sheep farmers had risen by only 1.2 to 1.5 per cent a year in the past three years, said Mr Robertson.

Meanwhile, prices for produce rose. Last season farmers earned NZ$35-NZ$45 for a 13.5kg lamb carcass, compared with NZ$18-NZ$20 in the mid-1980s. The improvement had come mainly from more efficient processing and better marketing.

Mr Robertson said the reforms had also been good for the environment, ending wasteful use of fertilisers.

Subsidies had encouraged production on unstable hill country. "One of the consequences of the withdrawal of support is that agriculture has intensified on the better land and the higher hills have now been planted with trees," he said.

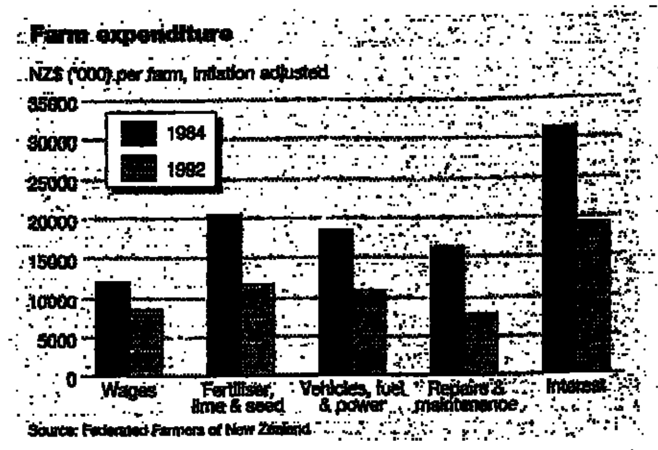
Public derision of farmers had changed to "respect and even admiration".

Some sectors, such as dairying, had fared better than others. Agricultural supply industries had had "a blowtorch put on them".

Meat processing, once heavily regulated and licensed, had found adaptation hard. But it had moved from being the least efficient national meat industry in the world to second most efficient, Mr Robertson said.

Farm expenditure

NZ$ ('000) per farm, inflation adjusted




Source: Federated Farmers of New Zealand

# Caribbean growers stand by their bananas

## EU sales are threatened but other crops hold little attraction, writes Canute James

In the face of continuing challenges to the European Union's banana regime by Latin American exporters, Caribbean producers, who benefit from a protected market are preparing for an uncertain future by trying to increase their efficiency.

*The governments of the four* Windward Islands – Dominica, Grenada, St Lucia and St Vincent – the major suppliers to the UK, are seeking $60m to cut production costs and put their industry in a better position to compete with more efficient Latin American producers.

Farm leaders and trade ministers in the region are examining the more intractable problems that have bedeviled efforts to promote agricultural diversification in an attempt to reduce the islands' dependence on bananas by replacing the fruit with crops that can find an equally lucrative market.

It is readily admitted, however, that there will be no immediate relief, either through improved productivity or alternative products, if the four islands were to quickly lose their preferential access to the European market. Economic planners say agriculture, and mainly bananas, will continue to be the basis of several of the islands' economies. The factors that have made Windward Island bananas *more costly than the Latin* fruit are the very reasons diversification is proving difficult.

The governments are hoping that if they can get the funds to increase productivity and improve marketing, they will be able to lift farm yield from the current levels of eight tonnes of exportable produce per acre and closer to the average 18 tonnes in Latin America.

"As it now stands, even though the Windward Islands have preferential access to the European market, they are one of the highest cost producers, and if something is not done to reduce those costs, they are going to lose the market," says Mr Marius St Rose, a vice president of the Caribbean Development Bank.

Funding for the programme is being sought by the Windward governments from the bank and from the European Union. The intention is to improve the quality of bananas and reduce the cost of production by 20 to 25 per cent over three years.

Improving productivity of bananas now appears an easier task than getting the islands' farmers to turn to other crops. Attempts at diversification have met with little success. Farmers are reluctant to change to new crops with which they have had little experience and for which they might not be able to find a market as lucrative as that for bananas.

"One of the problems with farming bananas in this part of the world is that the entire industry can be flattened overnight by a storm or a hurricane," a St Lucian government official explains.

But he points out that bananas "are the only crop we know of which can be replanted immediately and produce for export in a few months".

Farmers operate on small plots in often difficult terrain not serviced by basic infrastructure such as farm roads. Transportation costs are high, and production costs are compounded by the inability of the farmers to achieve any benefits of scale in purchasing inputs such as chemicals.

"There is insufficient interest in non-traditional crops and this has constrained efforts at diversification," says Mr Collin Bully, programme manager for the Agricultural Diversification Co-ordinating Unit of the Organisation of Eastern Caribbean States. "Diversification is not necessarily meant to replace dominant crops. Successful diversification needs macro-economic framework including comprehensive land settlement and institutions to provide extension services, marketing and technical services."

Farmers' reluctance to change is also rooted in their conviction that no alternative crop will be able to provide them with the level of earnings they have been getting from protected bananas.

They are yet to be convinced that there is a market in either North America or Europe for an alternative product that would allow them to maintain their standard of living. For most of the non-traditional crops that have been suggested, ranging from mangoes to horticulture, the major markets are already being supplied.

Changing from being primary producers to processors also presents the islands with a similar problem. "Small eastern Caribbean islands cannot compete with large scale producers in other countries," says Mr Ken Boyea, managing director of the East Caribbean Group of Companies, which owns several agribusiness ventures. "We have been moving into processing and getting out of primary production, but is difficult to get people to leave bananas and do anything else. They fear changing to a product for which there is no market."

### MARKET REPORT

# US fund selling hits cocoa prices

COCOA futures dropped sharply at the London Commodity Exchange, pressured by heavy investment fund liquidation in New York. The July position closed at £900 a tonne, down £18.

At the London Metal Exchange COPPER prices staged a late rally as an earlier fall fuelled by fund liquidation revealed strong support near $1,800 a tonne for three months delivery. The price ended after hours "kerb" trading at $1,892 a tonne, up $7.

The precious metal sector's complexion changed dramatically when the Zulu-based Inkatha Freedom party agreed to participate in next week's South African elections. London GOLD closed $4.90 down at $372.80 as troy ounce, the lowest since early December.

Compiled from Reuter

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

| | | |
|---|---|---|
| Aluminium | +8,925 | to 2,598,475 |
| Aluminium alloy | -540 | to 42,200 |
| Copper | -3,875 | to 491,800 |
| Lead | -800 | to 335,575 |
| Nickel | -24 | to 106,458 |
| Zinc | +3,900 | to 1,132,575 |
| Tin | -85 | to 25,420 |

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1265.5-6.5 | 1291-1.5 |
| Previous | 1273.5-4.5 | 1298.5-9.0 |
| High/low | 1265 | 1301/1290 |
| AM Official | 1265-5.5 | 1291-1.5 |
| Kerb close | | 1293-4 |
| Open int. | 264,106 | |
| Total daily turnover | 68,665 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1345-50 | 1335-6 |
| Previous | 1340-50 | 1324-6 |
| High/low | 1340 | 1337/1325 |
| AM Official | 1336-40 | 1325-30 |
| Kerb close | | 1330-40 |
| Open int. | 4,207 | |
| Total daily turnover | 619 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 431.5-2.5 | 446.5-7.0 |
| Previous | 438-9 | 452-3 |
| High/low | 433 | 451/446 |
| AM Official | 433-3.5 | 447-7.5 |
| Kerb close | | 446-7 |
| Open int. | 33,368 | |
| Total daily turnover | 5,832 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5325-35 | 5400-410 |
| Previous | 5420-30 | 5495-500 |
| High/low | 5391 | 5510/5370 |
| AM Official | 5390-1 | 5470-5 |
| Kerb close | | 5375-80 |
| Open int. | 55,846 | |
| Total daily turnover | 17,786 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5335-45 | 5395-400 |
| Previous | 5335-45 | 5395-400 |
| High/low | | 5410/5365 |
| AM Official | 5310-15 | 5370-75 |
| Kerb close | | 5370-80 |
| Open int. | 17,708 | |
| Total daily turnover | 5,866 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 908-9 | 930.5-31.0 |
| Previous | 927-8 | 948-9 |
| High/low | 912 | 940/929 |
| AM Official | 912-13 | 934-34.5 |
| Kerb close | | 930-1 |
| Open int. | 97,402 | |
| Total daily turnover | 25,247 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1871-2.5 | 1893.5-4.0 |
| Previous | 1865.5-6.5 | 1886-7 |
| High/low | | 1896/1863 |
| AM Official | 1864-4.5 | 1885-5.5 |
| Kerb close | | 1892-3 |
| Open int. | 185,793 | |
| Total daily turnover | 51,103 | |

■ LME AM Official £/$ rate: 1.4773
LME Closing £/$ rate: 1.4778

Spot 1.4781 3 mths 1.4748 6 mths 1.4733 9 mths 1.4722

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 372.60-373.00 | |
| Opening | 374.60-375.00 | |
| Morning fix | 375.95 | 254.657 |
| Afternoon fix | 373.10 | 252.921 |
| Day's High | 376.60-377.00 | |
| Day's Low | 372.00-372.50 | |
| Previous close | 377.30-377.70 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.49 | 6 months | 3.95 |
| 2 months | 3.59 | 12 months | 4.46 |
| 3 months | 3.66 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 354.60 | 523.75 |
| 3 months | 358.90 | 528.60 |
| 6 months | 363.05 | 534.40 |
| 1 year | 373.20 | 549.15 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 378-381 | 256-258 |
| Maple Leaf | 383.40-385.85 | |
| New Sovereign | 88-91 | 60-63 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| | Close | Prev |
|---|---|---|
| BFI | 1290 | 1290 |

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 1,960-2,030 (1,900-1,960). Bismuth: min. 99.99%, tonne lots 2.25-2.40. Cadmium: min. 99.5%, 65-75 cents a pound. Cobalt: MB free market, 99.8%, 25.25-26.00 (25.50-26.50); 99.3%, 20.75-21.75 (21.00-22.00). Mercury: min. 99.99%, $ per 76 lb flask, 90-100. Molybdenum: drummed molybdic oxide, 3.00-3.10 (2.90-3.00). Selenium: min 99.5%, 3.60-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO3, cif, 33-45. Vanadium: min. 98%, cif, 1.55-1.45. Uranium: Nuexco exchange value, 7.00.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COCOA (ICCO) (SDR's/tonne)

| | Price | Prev. day |
|---|---|---|
| April 19 | | |
| Daily | 933.45 | 935.35 |
| 10 day average | N/A | N/A |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE (ICO) (US cents/pound)

| | Price | Prev. day |
|---|---|---|
| April 18 | | |
| Comp. daily | 79.96 | 80.13 |
| 15 day average | 78.48 | 78.38 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| May | 74.60 | +0.15 | 74.60 | 74.30 | 465 | 46 |
| Total | | | | | 67,888 | 9,607 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| May | 98.60 | -1.90 | 100.50 | 98.00 | 5,213 | 1,527 |
| Jul | 101.35 | -1.75 | 103.15 | 100.75 | 11,233 | 1,913 |
| Sep | 104.15 | -1.35 | 105.40 | 104.00 | 2,189 | 247 |
| Nov | 104.80 | -1.20 | 106.80 | 104.15 | 1,137 | 147 |
| Jan | 106.45 | -1.05 | 107.00 | 105.00 | 2,132 | 41 |
| Mar | 107.75 | -1.75 | 107.75 | 107.00 | 550 | 2 |
| Total | | | | | 22,454 | 3,730 |

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Apr 19 | Apr 18 | month ago | year ago |
|---|---|---|---|
| 1816.1 | 1811.1 | 1821.2 | 1650.2 |

■ CRB Futures (Base: 4/9/56=100)

| Apr 18 | Apr 15 | month ago | year ago |
|---|---|---|---|
| 222.14 | 222.47 | 226.52 | N/A |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PORK BELLIES CME (40,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Jul | Oct | Jul | Oct |
|---|---|---|---|---|
| 1275 | 63 | 86 | 24 | 45 |
| 1300 | 40 | 75 | 34 | 56 |
| 1325 | 30 | 63 | 46 | 69 |

| ■ COPPER (Grade A) LME | Jul | Oct | Jul | Oct |
|---|---|---|---|---|
| 1850 | 79 | 115 | 37 | 58 |
| 1900 | 50 | 89 | 60 | 81 |
| 1950 | 33 | 67 | 90 | 106 |

| ■ COFFEE LCE | May | Jul | May | Jul |
|---|---|---|---|---|
| 1300 | 165 | 145 | - | 14 |
| 1350 | 115 | 105 | - | 27 |
| 1400 | 65 | 76 | - | 45 |

| ■ COCOA LCE | May | Jul | May | Jul |
|---|---|---|---|---|
| 875 | - | 48 | 1 | 23 |
| 900 | - | 35 | 16 | 35 |
| 925 | - | 25 | 43 | 50 |

| ■ BRENT CRUDE IPE | May | Jun | May | Jun |
|---|---|---|---|---|
| 1400 | - | - | - | 9 |
| 1450 | - | - | - | 20 |
| 1500 | - | 37 | - | 40 |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun) +or-

| | | |
|---|---|---|
| Dubai | $13.60-3.76y | -0.205 |
| Brent Blend (dated) | $15.14-5.18 | -0.170 |
| Brent Blend (Jun) | $14.91-4.93 | -0.160 |
| W.T.I. (1pm est) | $16.24-6.29v | -0.150 |

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $168-170 | -3.5 |
| Gas Oil | $163-164 | -0.5 |
| Heavy Fuel Oil | $69-71 | -2 |
| Naphtha | $144-146 | -3 |
| Jet fuel | $163-165 | -3 |

Petroleum Argus Estimates

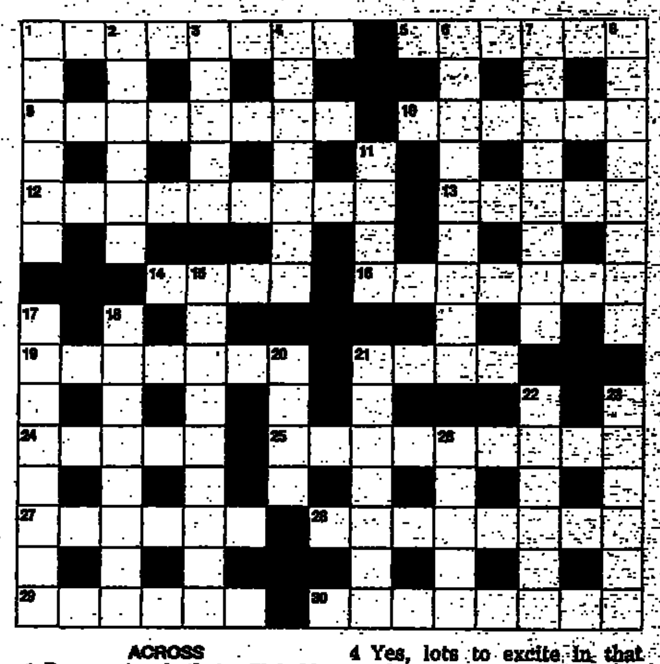
■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $372.80 | -4.90 |
| Silver (per troy oz)♣ | 523.50c | -5.00 |
| Platinum (per troy oz.) | $386.25 | -9.00 |
| Palladium (per troy oz.) | $131.25 | -1.00 |
| Copper (US prod.) | 91.00c | |
| Lead (US prod.) | 35.00c | |
| Tin (Kuala Lumpur) | 14.39r | +0.07 |
| Tin (New York) | 248.50c | -2.00 |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 126.09p | -0.02* |
| Sheep (live weight)†♠ | 142.22p | -3.86* |
| Pigs (live weight) | 74.76p | -2.76* |
| Lon. day sugar (raw) | $271.5 | +4.9 |
| Lon. day sugar (wte) | $320.6 | -4.2 |
| Tate & Lyle export | £297.0 | +4.0 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | $138.5 | |
| Wheat (US Dark North) | £180.0x | |
| Rubber (May)♥ | 69.25p | |
| Rubber (Jun)♥ | 69.50p | |
| Rubber(KL RSS No1 Apr) | 252.50m | +0.50 |
| Coconut Oil (Phil)§ | $570.0t | +15.0 |
| Palm Oil (Malay.)§ | $447.5w | +22.5 |
| Copra (Phil)§ | $371.0 | +11.0 |
| Soyabeans (US) | £214.0 | +1.0 |
| Cotton Outlook A Index | 84.90c | |
| Wooltops (64s Super) | 405p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Jun. w May t May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices

## CROSSWORD

No.8,433 Set by DINMUTZ



ACROSS
1 Reserve trunk that will hold volumes (8)
5 Invite to party in a mask? Outrageous! (3,3)
9 Home fixture in or around Bath? (4-4)
10 After university, learn about what is visionary (6)
12 Conical mass, yet it is not like a sweetbread (5-4)
13 Long article can be difficult to translate (5)
14 Spots a carriage in some parts of London? (4)
16 Benefits of struggle that divides revolutionaries (7)
19 Standard bargain at the greengrocers? (7)
21 Driver's warning (4)
24 Many abandoned in Split, we hear (5)
25 Earth pressing on this German count? (9)
27 Way of serving meat in fire (saving the heart) (6)
28 Do their islanders wear tin stars (8)
29 Money each way for Anacardium! (6)
30 Lay down Japanese wine as a favour? (8)

DOWN
1 The poorest stand on street (6)
2 Nothing on large stove in Dutch house? (6)
3 Rosie Lee drink? (5)
4 Yes, lots to excite in that which clutches the heart! (7)
6 One of Vincent's composite subjects (9)
7 Tip accomplished variety act (8)
8 High quality of Len's last act (8)
11 A note, right at a distance (4)
15 Bobby deceives bench (9)
17 Not a broad-spectrum remedy? (8)
18 Easy manners of American travellers? (8)
20 The European perch (4)
21 Enthusiast to get on and flourish (7)
22 Film of a Roman vessel (6)
23 Sees change in the French rent-payer (6)
24 Mastery of clutch? (5)

Solution 8,432

BASHED COMMANDO
E U S A A O Y
REPUTE STATIONS
A P A S H E D T
THROTTLE GRILLE
I E E E D I E R
NOSE MINIMAL
G S C G U L Y S
PUSHERS TEST
S K S T N R A U
CHASTE LABOURER
O N O E L S L G
ROSEMARY STRIKE
E A E S E N O
DISORDER FLAGON

هكذا من الاهل



# LONDON STOCK EXCHANGE

**MARKET REPORT**

# Equities lose ground after turbulent session

By Steve Thompson

London's stock market, in common with other international markets, suffered numerous mood swings yesterday as dealers and institutions struggled to come to terms with the latest shifts in US monetary policy.

At the end of a highly volatile, but curiously subdued session in terms of customer business, the FT-SE 100 index settled a further 10.2 lower at 3,128.0.

The modest closing fall masked a series of big swings in sentiment in an equity market influenced primarily by the performance of Wall Street, which itself mirrored erratic movements in US bonds.

The scene was set for a highly charged opening session as dealers braced themselves for a bout of expected selling in the wake of the 41-point slide on the Dow Jones Average on Monday evening, following the 25 basis points rise in the US Federal funds rate.

In the event, the 100 index kicked off with a modest six point fall, encouraged by a better-than-expected opening by gilts which started trading with losses in the region of only a quarter point.

With very few signs of substantial selling from the big institutions share prices began to rally and the market moved into positive territory within an hour of the official opening. The FT-SE 100 index reached what was to be the day's highest level, up 7.3 at 3,145.5.

The rally soon ran out of steam, however, as weakness in equity and bond markets across Europe, and especially in Germany and France, unnerved London investors.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Apr 11 | Apr 25 | May 16 |
| Option Declarations: | | |
| Apr 21 | May 12 | Jun 2 |
| Last Dealings: | | |
| Apr 22 | May 13 | Jun 3 |
| Account Day: | | |
| May 3 | May 23 | Jun 13 |

*New time dealings may take place from two business days earlier.

At its worst, shortly after midday, the 100 index was down 24.5 with dealers shaken by the mid-morning slide in gilts where the long dated stocks were down more than half a point.

Thereafter, it was the performance of Wall Street that called the tune across Europe. The US market opened firmer and moved more than 20 points higher after good corporate news from leading US stocks like Philip Morris and Chrysler, before running out of steam and displaying a double-figure fall after London closed.

The day's turnover reached 769.5m shares, well above Monday's 683.5m and last Friday's 698.8m, but dealers pointed out that daily figures had been inflated by another big placing of shares in Clyde Petroleum, one of the smaller UK oil exploration stocks. Clyde alone accounted for almost 60m of the daily total.

Other features of the days's trading activity included the sale of a block of 5m RTZ shares by Cazenove, the influential broking house.

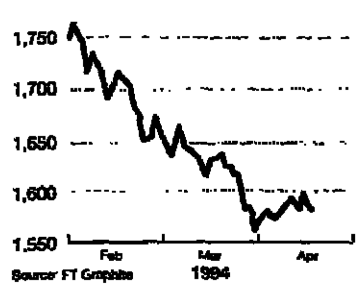
Conflicting views by leading food retailing analysts led to heavy two-way trading in Asda while the integrated oil stocks continued to attract keen interest.

Trading got under way in shares of Ashanti, the Ghanaian gold mining group, where Lonrho retains a 43 per cent stake, with London traders reporting strong support for the stock which settled at a good premium to the $20 a share issue price.

The head of marketmaking at one big integrated securities firm said the London market's performance was "unimpressive; there is a feeling around that London will go down if we get a rate and go down if we don't."

Chart analysts pointed out, however, that the emergence of strong support for the UK equity market as the FT-SE 100 hit the 3,115 was a big bull point. "As long as we keep bouncing off that level the market should be able to make progress," said one.

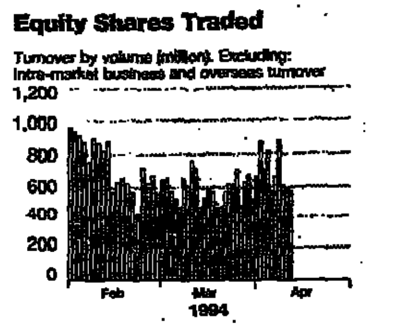
FT-SE-A All-Share index




Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover




**■ Key Indicators**

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3128.0 | -10.2 | FT Ordinary Index | 2484.2 | -2.1 |
| FT-SE Mid 250 | 3805.9 | -8.1 | FT-SE-A Non Fins p/e | 20.55 | (20.66) |
| FT-SE-A 350 | 1591.8 | -4.7 | FT-SE 100 Fut Jun | 3128.0 | -10.0 |
| FT-SE-A All-Share | 1582.94 | -4.51 | 10 yr Gilt yield | 7.84 | (7.87) |
| FT-SE-A All-Share yield | 3.67 | (3.66) | Long gilt/equity yld ratio: | 2.19 | (2.20) |

**Best performing sectors**

1 Gas Distribution ... +1.3
2 Pharmaceuticals ... +0.8
3 Diversified Inds ... +0.6
4 Leisure & Hotels ... +0.5
5 Engineering ... +0.4

**Worst performing sectors**

1 Extractive Inds ... -1.6
2 Spirits Wines ... -1.3
3 Telecommunications ... -1.3
4 Life Assurance ... -1.2
5 Retailers, Food ... -1.2

## Heavy turnover in Clyde

Clyde Petroleum was the most heavily traded stock in the London market as one broker sold 30m shares, equivalent to 7.5 per cent of the company.

The sale was carried out by Clyde's broker, Hoare Govett, and the shares were taken on at 33p to be placed at 33½p. After the market closed, it was announced that George Weston Holdings – the private investment company of Mr Garry Weston, the chairman of Associated British Foods – had reduced its stake to 6.86 per cent. The investment group bought a 15.8 per cent stake from TMOC, the Australian oil company in 1987.

The sale comes just days after US fund management group Fidelity sold 13m shares, or 3.4 per cent. Clyde's underlying share price held steady at 36p with final turnover for the day recorded at 58m shares.

### Lonrho steady

Mining group Lonrho held firm as Ashanti, the world's richest goldfield and the group in which Lonrho has a 43 per cent stake, made its market debut. The shares opened at $20.60 and, shortly after the official market closed, they were trading at between $20.85 and $21, almost a dollar above the market forecasts.

That leaves Lonrho with about $715m (£490m) against forecasts of $600m. However, the market had already prepared itself for the good news and Lonrho shares closed unchanged at 154p.

Investment interest burgeoned in Rolls Royce after powerful figures from Pratt and Whitney painted an optimistic picture for aerospace spare parts.

The fact that the US engines manufacturer reported a jump in sales of spare parts after pushing up its prices by 5 per cent fuelled excitement among aerospace analysts.

One said: "Aerospace stocks are very sensitive to news on spare parts. The fact that the market has absorbed a price rise by Pratt and Whitney and sales have increased is very encouraging."

Turnover of 14m shares passed through the market and Rolls improved 7 to 193p.

A market watcher said that since aerospace companies are very inter-related, shares of Rolls could not fail but get a large boost from the Pratt figures.

The optimism was compounded by recently reported good air traffic figures from BAA, which itself enjoyed further positive sentiment in the market following March traffic figures. The shares improved a penny to 983p.

Food retailers remained under a cloud, with NatWest Securities reiterating its cautious stance on the sector. The broker underlined continuing concerns over margins, pointing out that with sales increases proving difficult, cost cutting remains the main route to growing profits.

Particularly vulnerable, according to NatWest, are Argyll, down 4 at 240p, and J Sainsbury, off 6 at 359p. The broker is more positive over prospects for Tesco, down 1½ at 212p and Asda, off 1¾ at 56¼p, although the latter was said to be undermined by a Hoare Govett downgrading.

Discount food retailer Budgens weakened a further 2 to 27p following Monday's profit warning.

Mostly positive comments from First Leisure on current trading helped the shares add 2 to 318p. But Smith New Court, fretting over the continuing weakness in the group's ten-pin bowling business, suggested investors turn their attention to Rank Organisation, the shares jumping 12 to 430p on 2.3m traded.

Among stores stocks, Argos was said to have benefited from a buy note from SG Warburg. The shares climbed 4 to 364p. Similarly bullish noises on Vendome, up 2 at 460p, were said to be coming from NatWest Securities.

Storehouse steadied after Monday's shock announcement of the resignation of the Mothercare chief executive. The shares added a penny to 219p, with NatWest, UBS and Warburg among those pointing out that the groundwork for recovery had already been laid.

The awarding of a Portuguese bridge contract to a consortium led by Trafalgar House helped move the shares ahead 2¼ to 104p.

Conglomerate BTR gained 7 to 386½p on unusually heavy turnover of 12m shares as NatWest Securities added the group to its list of most highly favoured stocks. The house now forecasts group profits of £1.96bn in 1996, up from £1.65bn in 1995 and £1.38bn this year. Dealers said BZW was also a buyer.

Talk that it was poised to sell its loss-making parcels division helped transport group NFC add 3 at 241p.

London International fell 8 to 121p after announcing it was to restructure and refinance. The group said its share of the US branded condom market had fallen by about two per cent over the past year. However, analysts said pressure on the shares was mitigated by the result of the impending sale of LIG's photo-processing business, which is expected shortly.

Hong Kong related banks HSBC and Standard Chartered dipped 10 to 757p and 26 to 1054p respectively following a sharp slide in the Hang Seng Index. Cable and Wireless slipped 10 to 453p.

Merchant bank S.G. Warburg fell 14 to 738p on a downgrading from BZW.

RTZ, the world's biggest mining group, shed 15 to 835p on turnover of 12m after Cazenove, the agency broker, confirmed that it had placed a line of 5m shares in the company at 830p a share.

Encouraging figures from Merck, the big US pharmaceuticals group, gave some heart to a despondent UK health sector. Merck announced that sales for its first quarter were up 19 per cent after adjustments. Glaxo bounced 6 to 564p and SmithKline Beecham improved 8 to 367p ahead of figures tomorrow.

Leading oil stocks held steady in spite of a weaker crude oil price and market. BP, boosted by company presentations in Scotland, ended the day unchanged at 386p while Shell Transport dipped 2 to 723p.

Advertising group WPP lifted 3 to regain a two-year high of 129p. The S.G. Warburg media team, which had the group as its pick of the year, pointed out that WPP had outperformed the All-Share Index by 87 per cent over the year and 20 per cent over the last quarter.

Mobile telecoms group Vodafone was again weak with dealers blaming a stock overhang. The shares slid 18 to 496p with 5.5m traded.

**MARKET REPORTERS:**
**Peter John,**
**Christopher Price,**
**Christine Buckley.**

■ Other statistics, Page 21

### NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (33).
GILTS (1) Treas. 2pc IL '94, BANKS (2) Sumitomo T & B, Toyo T & B, BLDG MATLS & MCHTS (2) Derby, Kingspan, CHEMICALS (2) Porvair, Yule Catto, DIVERSIFIED INDLS (2) BTR Wts. '97, Whitecroft, ELECTRNC & ELECT EQUP (4) ASEA 'B', Mitsubishi, NEC, Toshiba, ENGINEERING (1) Johnson Matthey, ENG. VEHICLES (2) Abbey Panels, Laird, HOUSEHOLD GOODS (1) Swallowfield, INSURANCE (1) Hogg, INVESTMENT TRUSTS (3) LEISURE & HOTELS (1) Savoy, MEDIA (2) Metal Bulletin, Telegraph, OIL, EXPLORATION & PROD (3) Brit. Borneo, Cairn Energy, LASMO, PRTNG, PAPER & PACKG (3) Smith (DS), Und Grp., Wyndeham Press, SUPPORT SERVS (2) Corporate Servs., Manpower Inc., TEXTILES & APPAREL (1) Alexandra Workwear.
NEW LOWS (148).
GILTS (23) OTHER FIXED INTEREST (1) BANKS (5) BREWERIES (3) Greene King, Morland, United Breweries, BUILDING & CNSTRN (2) VHE, Wilson Bowden, BLDG MATLS & MCHTS (1) DISTRIBUTORS (1) Diploma, DIVERSIFIED INDLS (1) Staveley Inds., ELECTRICITY (1) Scot. Power, ELECTRNC & ELECT EQUP (2) Amstrad, Dale, ENGINEERING (6) Aerospace Eng., Beverley, Brit Aero 7¼p Prf., GBE, Hall Eng., EXTRACTIVE INDS (8) FOOD MANUF (1) SSN, HEALTH CARE (2) London Int'l., Shield Diagnostics, INSURANCE (4) Alex. & Alex., Premium Trust, Skandia, USF & G, INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (7) MEDIA (3) City of Lon. PR, Scottish TV, MERCHANT BANKS (1) OIL EXPLORATION & PROD (1) OTHER FINANCIAL (8) OTHER SERVS & BUSNS (2) EFG, Waste Management, PHARMACEUTICALS (4) Glaxo, SmithKline Beecham A, Wellcome, Zeneca, PRTNG, PAPER & PACKG (2) API, Carnaud Metalbox, PROPERTY (4) BDA, Dencora, Green (E), Slough, RETAILERS, FOOD (3) Argyll, Budgens, Geest, RETAILERS, GENERAL (5) Christies Int'l, Colorvision, Dixons, Kleeneze, WEW, SPIRITS, WINES & CIDERS (1) Taunton Cider, SUPPORT SERVS (4) Macro 4, Misys, OIS, Pegasus, TELECOMMUNICATIONS (4) TEXTILES & APPAREL (1) Faupel Trading, TRANSPORT (3) CSX, Tiphook, Vard, WATER (10) AMERICANS (10) CANADIANS (11).

## EQUITY FUTURES AND OPTIONS TRADING

Fierce volatility threw equity derivatives into turmoil as massive swings of sentiment coursed through the market, writes Christine Buckley.

The head of derivatives at one broking house said that volatility was "staggering" and had not been seen in such a frenzied form since the last UK general election.

The June contract on the FT-SE 100 began ascending its rollercoaster track quite firmly, adding 14 points in early trading after it had opened ahead of the previous day's close. The big plunge came on upset in the bund market with the selling so fierce that the contract fell from its intraday high of 3,157 to 3,104 in about two hours.

It mustered a pre-lunch rally before an optimistic opening on Wall Street sent the next surprise and the contract bounced to 3,150. But nervousness was quick to return and June fell back to finish at 3,127, trailing the cash market by several points after taking the fair value carrying costs into consideration.

Institutions are said to be wary of the extreme volatility with the climate likely to be enjoyed by only hedge funds. But one market expert cautioned: "It is impossible to call this market at the moment. No-one knows which way it is going."

Options were comparatively quiet with about half of the activity in index products. Turnover was 35,580 lots.

**■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3143.0 | 3128.0 | -10.0 | 3157.0 | 3104.0 | 14388 | 53470 |
| Sep | 3161.0 | 3146.5 | -10.0 | 3161.0 | 3138.0 | 7 | 678 |
| Dec | 3172.0 | 3159.0 | -10.0 | 3179.0 | 3172.0 | 100 | 10 |

**■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3800.0 | 3790.0 | -10.0 | 3810.0 | 3785.0 | 265 | 3110 |

**■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | - | 3790.0 | - | - | - | - | 913 |

All open interest figures are for previous day. † Exact volume shown.

**■ FT-SE 100 INDEX OPTION (LIFFE) (*3130) £10 per full index point**

| | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P | 3150 C | 3150 P | 3200 C | 3200 P | 3250 C | 3250 P | 3300 C | 3300 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 198½ | 13 | 149½ | 20½ | 111½ | 32½ | 77½ | 50 | 51½ | 73 | 31 | 105½ | 18 | 144½ | 9 | 186½ |
| Jun | 204½ | 27 | 167 | 40 | 131 | 53½ | 101½ | 74½ | 75 | 97 | 54 | 128 | 38 | 159 | 24 | 196 |
| Jul | 222½ | 41½ | 186½ | 54 | 152 | 69½ | 123½ | 91 | 95½ | 113 | 75½ | 142½ | 55 | 172 | 42 | 208½ |
| Aug | 244½ | 57½ | 208 | 69 | 172 | 85 | 141 | 104½ | 113½ | 125½ | 93½ | 154 | 73½ | 183½ | 58½ | 218½ |
| Dec† | | | 283 | 113½ | | | 203½ | 151 | | | 151½ | 197 | | | 185 | 250½ |

Calls 6,382 Puts 5,263

**■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point**

| | 2975 C | 2975 P | 3025 C | 3025 P | 3075 C | 3075 P | 3125 C | 3125 P | 3175 C | 3175 P | 3225 C | 3225 P | 3275 C | 3275 P | 3325 C | 3325 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 168½ | 15½ | 127½ | 26 | 92½ | 40½ | 62 | 60 | 40 | 87½ | 23½ | 120½ | 12½ | 159½ | 6½ | 203½ |
| Jun | 182½ | 31 | 146½ | 44 | 114 | 61½ | 86½ | 83½ | 64 | 110½ | 45½ | 141½ | 31½ | 177 | 21½ | 217 |
| Jul | | | 167½ | 60 | | | 108½ | 99½ | | | 65 | 155 | | | 35½ | 224 |
| Aug | | | 203½ | 84½ | | | 144½ | 123½ | | | 98 | 175 | | | 63 | 238 |
| Dec† | | | 245 | 115½ | | | 186½ | 153½ | | | 137 | 201 | | | 99 | 259½ |

Calls 2,516 Puts 2,334 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

**■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point**

| | 3750 | 3800 | 3850 | 3900 | 3950 | 4000 | 4050 | 4100 |
|---|---|---|---|---|---|---|---|---|
| May | 48½ 66½ | 70½ 46½ | | 82½ | 28½ | 11½ | 8 | 5 |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## TRADING VOLUME

**■ Major Stocks Yesterday**

## FT - SE Actuaries Share Indices — The UK Series

| | Apr 19 | Day's chge% | Apr 18 | Apr 15 | Apr 14 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3128.0 | -0.3 | 3138.2 | 3168.3 | 3131.7 | 2856.1 | 3.89 | 6.28 | 19.15 | 33.61 | 1160.64 |
| FT-SE Mid 250 | 3805.9 | -0.2 | 3814.0 | 3824.6 | 3792.1 | 3097.5 | 3.23 | 5.35 | 22.92 | 30.07 | 1393.18 |
| FT-SE Mid 250 ex Inv Trusts | 3831.1 | .... | 3830.9 | 3843.2 | 3809.7 | 3124.5 | 3.34 | 5.75 | 21.50 | 30.71 | 1398.08 |
| FT-SE-A 350 | 1591.8 | -0.3 | 1596.5 | 1609.3 | 1591.9 | 1415.8 | 3.73 | 6.06 | 19.93 | 16.04 | 1206.60 |
| FT-SE SmallCap | 1930.46 | -0.1 | 1932.63 | 1931.39 | 1925.47 | 1552.31 | 2.91 | 4.09 | 30.25 | 13.84 | 1479.45 |
| FT-SE SmallCap ex Inv Trusts | 1903.44 | -0.1 | 1904.69 | 1903.02 | 1897.32 | 1559.17 | 3.07 | 4.52 | 27.68 | 13.60 | 1458.20 |
| FT-SE-A ALL-SHARE | 1582.94 | -0.3 | 1587.45 | 1599.16 | 1582.70 | 1399.20 | 3.67 | 5.92 | 20.42 | 15.62 | 1222.85 |

**■ FT-SE Actuaries All-Share**

| | Apr 19 | Day's chge% | Apr 18 | Apr 15 | Apr 14 | Year ago | Div. yield% | Earn yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2646.23 | -0.3 | 2654.31 | 2677.08 | 2614.42 | 2154.70 | 3.47 | 4.68 | 27.22 | 30.90 | 1048.20 |
| 12 Extractive Industries(4) | 3853.13 | -1.6 | 3914.82 | 3974.41 | 4018.42 | 3077.40 | 3.36 | 4.63 | 25.98 | 41.61 | 1050.89 |
| 15 Oil, Integrated(3) | 2584.12 | .... | 2584.50 | 2606.37 | 2531.05 | 2059.80 | 3.50 | 4.90 | 25.38 | 31.69 | 1044.37 |
| 16 Oil Exploration & Prod(11) | 1968.32 | -0.2 | 1973.24 | 1983.09 | 1867.98 | 1990.70 | 3.42 | 1.34 | 80.00† | 15.36 | 1127.92 |
| 20 GEN MANUFACTURERS(282) | 2109.88 | +0.2 | 2105.34 | 2112.86 | 2068.92 | 1732.30 | 3.56 | 4.36 | 26.68 | 19.70 | 1055.84 |
| 21 Building & Construction(31) | 1350.78 | +0.3 | 1347.28 | 1353.38 | 1346.98 | 1008.30 | 2.76 | 4.00 | 31.40 | 9.12 | 1041.68 |
| 22 Building Matls & Merchs(30) | 2144.74 | +0.1 | 2143.20 | 2158.64 | 2146.66 | 1558.00 | 3.32 | 3.99 | 31.32 | 18.43 | 992.76 |
| 23 Chemicals(21) | 2479.76 | -0.1 | 2482.45 | 2480.12 | 2459.00 | 2095.30 | 3.71 | 4.59 | 27.28 | 27.53 | 1080.33 |
| 24 Diversified Industrials(16) | 2083.90 | +0.6 | 2070.90 | 2090.56 | 2049.02 | 1860.50 | 4.41 | 4.38 | 29.47 | 28.41 | 1046.22 |
| 25 Electronic & Elect Equip(34) | 2073.10 | -0.2 | 2076.48 | 2082.48 | 2058.43 | 1940.30 | 3.54 | 6.22 | 19.70 | 6.17 | 988.10 |
| 26 Engineering(71) | 1970.40 | +0.4 | 1963.22 | 1982.26 | 1952.20 | 1444.80 | 2.80 | 3.80 | 32.94 | 13.71 | 1109.04 |
| 27 Engineering, Vehicles(12) | 2479.12 | +0.3 | 2472.38 | 2449.33 | 2382.94 | 1717.30 | 4.24 | 2.01 | 80.00† | 29.56 | 1183.94 |
| 28 Printing, Paper & Pckg(27) | 2923.83 | +0.1 | 2922.02 | 2926.13 | 2902.09 | 2347.80 | 2.83 | 4.52 | 27.06 | 24.57 | 1134.56 |
| 29 Textiles & Apparel(20) | 1832.68 | -0.6 | 1843.13 | 1846.54 | 1826.76 | 1854.50 | 3.79 | 5.83 | 22.62 | 18.62 | 1022.17 |
| 30 CONSUMER GOODS(95) | 2689.39 | -0.4 | 2699.58 | 2719.66 | 2704.71 | 2736.00 | 4.32 | 7.65 | 16.27 | 38.70 | 909.96 |
| 31 Breweries(17) | 2304.20 | -0.4 | 2312.81 | 2314.18 | 2284.73 | 2100.40 | 3.95 | 7.46 | 16.43 | 11.01 | 1010.31 |
| 32 Spirits, Wines & Ciders(10) | 2926.19 | -1.3 | 2965.61 | 2951.29 | 2922.50 | 2850.40 | 3.68 | 6.67 | 17.40 | 41.44 | 967.68 |
| 33 Food Manufacturers(23) | 2317.49 | -1.0 | 2341.55 | 2359.80 | 2338.70 | 2356.20 | 4.09 | 7.57 | 15.56 | 35.53 | 960.38 |
| 34 Household Goods(13) | 2623.39 | -1.0 | 2648.80 | 2662.96 | 2637.47 | 2298.30 | 3.35 | 7.01 | 16.39 | 35.58 | 932.44 |
| 36 Health Care(20) | 1733.18 | -0.7 | 1745.63 | 1746.59 | 1731.93 | 1667.00 | 3.18 | 5.48 | 21.69 | 7.32 | 988.25 |
| 37 Pharmaceuticals(11) | 2697.41 | +0.8 | 2675.26 | 2732.41 | 2720.73 | 2927.90 | 4.75 | 8.15 | 14.14 | 41.23 | 841.82 |
| 38 Tobacco(1) | 3699.58 | -0.6 | 3720.56 | 3720.56 | 3775.09 | 3820.30 | 5.70 | 9.34 | 12.48 | 102.36 | 823.82 |
| 40 SERVICES(220) | 2041.25 | -0.2 | 2046.34 | 2062.67 | 2041.43 | 1774.90 | 2.91 | 5.57 | 21.76 | 10.12 | 984.42 |
| 41 Distributors(31) | 3060.94 | -0.6 | 3078.66 | 3068.06 | 3013.61 | 2623.70 | 2.84 | 4.94 | 24.42 | 31.44 | 1047.82 |
| 42 Leisure & Hotels(23) | 2269.40 | +0.5 | 2257.78 | 2262.43 | 2251.10 | 1750.20 | 3.16 | 4.04 | 29.92 | 13.68 | 1100.76 |
| 43 Media(39) | 3099.69 | -0.1 | 3102.70 | 3142.73 | 3102.03 | 2235.70 | 2.08 | 4.68 | 25.34 | 25.37 | 1084.85 |
| 44 Retailers, Food(17) | 1562.76 | -1.2 | 1581.88 | 1599.49 | 1589.18 | 1943.70 | 4.02 | 10.22 | 12.13 | 3.13 | 908.39 |
| 45 Retailers, General(44) | 1746.79 | -0.4 | 1754.48 | 1769.38 | 1753.10 | 1515.10 | 2.78 | 5.47 | 22.87 | 5.38 | 914.63 |
| 48 Support Services(40) | 1649.13 | +0.2 | 1645.26 | 1652.03 | 1638.58 | 1516.60 | 2.37 | 6.99 | 15.31 | 6.84 | 987.74 |
| 49 Transport(16) | 2555.10 | .... | 2555.77 | 2580.43 | 2539.28 | 2009.00 | 3.30 | 3.92 | 29.10 | 11.84 | 984.03 |
| 51 Other Services & Business(10) | 1142.79 | .... | 1142.45 | 1147.21 | 1144.44 | 1244.80 | 4.88 | 2.36 | 80.00† | 4.92 | 966.06 |
| 60 UTILITIES(36) | 2305.83 | -0.6 | 2319.57 | 2338.06 | 2295.57 | 2142.00 | 4.33 | 7.56 | 16.32 | 5.80 | 882.38 |
| 62 Electricity(17) | 2240.97 | -0.6 | 2255.62 | 2285.94 | 2205.66 | 1747.20 | 3.69 | 11.05 | 11.12 | 15.85 | 905.09 |
| 64 Gas Distribution(2) | 2016.61 | +1.3 | 1990.77 | 1960.93 | 1928.76 | 2011.10 | 6.94 | ‡ | ‡ | 0.00 | 880.99 |
| 65 Telecommunications(4) | 2002.52 | -1.3 | 2027.91 | 2047.02 | 2018.01 | 1982.00 | 3.94 | 6.04 | 20.21 | 0.09 | 832.86 |
| 68 Water(13) | 1736.33 | -0.4 | 1742.84 | 1788.12 | 1783.56 | 1802.40 | 5.32 | 14.63 | 8.04 | 3.49 | 836.42 |
| 69 NON-FINANCIALS(631) | 1709.37 | -0.2 | 1713.06 | 1724.64 | 1703.61 | 1526.47 | 3.68 | 5.92 | 20.55 | 14.62 | 1185.00 |
| 70 FINANCIALS(103) | 2241.53 | -0.7 | 2258.45 | 2284.09 | 2260.58 | 1923.90 | 3.99 | 6.85 | 17.41 | 38.93 | 875.46 |
| 71 Banks(10) | 2810.45 | -0.9 | 2836.20 | 2877.99 | 2894.06 | 2378.00 | 3.83 | 7.10 | 16.67 | 55.86 | 831.16 |
| 73 Insurance(15) | 1362.73 | +0.3 | 1358.94 | 1375.51 | 1364.63 | 1320.50 | 4.69 | 8.05 | 14.47 | 27.77 | 920.78 |
| 74 Life Assurance(6) | 2559.18 | -1.2 | 2591.56 | 2597.22 | 2529.75 | 2577.90 | 4.86 | 6.91 | 18.12 | 63.38 | 970.08 |
| 75 Merchant Banks(6) | 2959.64 | -0.8 | 2984.12 | 2992.37 | 3006.72 | 2390.60 | 3.22 | 8.74 | 13.74 | 21.22 | 874.71 |
| 77 Other Financial(24) | 1925.75 | -0.2 | 1929.78 | 1931.99 | 1930.21 | 1408.50 | 3.43 | 6.35 | 18.90 | 17.48 | 1010.01 |
| 79 Property(39) | 1631.12 | -0.3 | 1636.63 | 1684.89 | 1650.57 | 1193.00 | 3.78 | 4.02 | 31.61 | 7.31 | 913.86 |
| 80 INVESTMENT TRUSTS(122) | 2863.77 | -0.2 | 2868.71 | 2867.72 | 2851.70 | 2235.20 | 2.14 | 1.77 | 57.29 | 19.58 | 953.25 |
| 89 FT-SE-A ALL-SHARE(866) | 1582.94 | -0.3 | 1587.45 | 1599.16 | 1582.70 | 1399.20 | 3.67 | 5.92 | 20.42 | 15.62 | 1222.85 |

**■ Hourly movements**

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3132.4 | 3138.2 | 3140.6 | 3123.2 | 3119.0 | 3116.4 | 3118.2 | 3128.5 | 3130.6 | 3145.5 | 3113.7 |
| FT-SE Mid 250 | 3809.0 | 3811.1 | 3811.3 | 3805.4 | 3800.7 | 3800.1 | 3800.4 | 3802.9 | 3806.1 | 3814.4 | 3799.6 |
| FT-SE-A 350 | 1593.8 | 1596.3 | 1597.2 | 1589.9 | 1587.8 | 1586.7 | 1587.6 | 1591.7 | 1592.8 | 1599.4 | 1585.8 |

Time of FT-SE 100 High 9:32am Low 12:30pm.

**■ FT-SE Actuaries 350 Industry baskets**

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1297.7 | 1301.5 | 1304.5 | 1301.0 | 1294.8 | 1298.2 | 1301.8 | 1305.1 | 1304.8 | 1304.3 | 1299.1 | +5.2 |
| Pharmaceuticals | 2641.8 | 2647.2 | 2646.0 | 2635.2 | 2639.0 | 2643.7 | 2641.9 | 2659.1 | 2666.6 | 2666.2 | 2643.8 | +22.4 |

# LONDON EQUITIES

## LIFFE EQUITY OPTIONS

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 12 | 50 | 12 |
| Other Fixed Interest | 1 | 12 | 2 |
| Mineral Extraction | 37 | 92 | 73 |
| General Manufacturers | 117 | 158 | 397 |
| Consumer Goods | 27 | 61 | 104 |
| Services | 73 | 116 | 328 |
| Utilities | 7 | 32 | 7 |
| Financials | 37 | 148 | 193 |
| Investment Trusts | 30 | 177 | 265 |
| Others | 17 | 84 | 38 |
| Totals | 358 | 930 | 1419 |

Data based on those companies listed on the London Share Service.
The Traditional Options table appears on the Currencies and Money page in todays edition.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1994 High | 1994 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F.P. | 40.8 | 102 | 96 | Abtrust High Inc | 102 | | - | - | - | - |
| 135 | F.P. | 40.6 | 142 | 134 | Applied Distbn | 134 | -1 | WN3.6 | 2.4 | 3.4 | 15.8 |
| 100 | F.P. | 10.8 | 89 | 85 | Baronsmead Inv | 85 | -2 | - | - | - | - |
| - | F.P. | 812.2 | 227 | 205 | Capital Shop C'tre | 225 | | u6.5 | 0.7 | 3.6 | 54.2 |
| - | F.P. | 9.34 | £87½ | £84½ | Chester Water | £84½ | -1½ | †235.0 | 4.3 | 3.5 | 8.7 |

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1994 High | 1994 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 68 | Nil | 24/5 | 6pm | 4pm | McCarthy & Stone | 5pm | |
| 425 | Nil | 27/5 | 62pm | 54pm | Misys | 54pm | |
| 100 | Nil | - | 8pm | 4pm | Mowlem | 4½pm | -½ |
| 40 | Nil | 20/6 | 5pm | 3pm | Olives Prop | 3pm | |
| 282 | Nil | 13/5 | 10pm | 2½pm | Persimmon | 5pm | -½ |
| 45 | Nil | 26/5 | 6¼pm | 3pm | Shandwick | 3½pm | |
| 100 | Nil | 31/5 | 15pm | 13pm | Simon Eng | 14pm | |
| 23 | Nil | 26/5 | 4pm | 2pm | Try Group | 3pm | |

## FINANCIAL TIMES EQUITY INDICES

| | Apr 19 | Apr 18 | Apr 15 | Apr 14 | Apr 13 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2484.2 | 2486.3 | 2507.1 | 2477.7 | 2483.7 | 2224.9 | 2713.6 | 2439.2 |
| Ord. div. yield | 4.02 | 4.00 | 3.70 | 3.74 | 3.73 | 4.15 | 4.02 | 3.48 |
| Earn. yld. % full | 5.47 | 5.47 | 5.23 | 5.28 | 5.09 | 6.25 | 5.47 | 3.82 |
| P/E ratio net | 19.60 | 19.62 | 20.67 | 20.44 | 21.33 | 19.86 | 33.43 | 19.60 |
| P/E ratio nil | 20.52 | 20.50 | 21.53 | 21.30 | 22.21 | 18.54 | 30.80 | 20.50 |

*For 1994, Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

**Ordinary Share hourly changes**

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2480.8 | 2487.5 | 2487.0 | 2475.7 | 2473.6 | 2472.1 | 2473.7 | 2482.4 | 2488.4 | 2491.4 | 2469.7 |

| | Apr 19 | Apr 18 | Apr 15 | Apr 14 | Apr 13 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 26,328 | 30,586 | 26,568 | 24,787 | 25,072 | 27,514 |
| Equity turnover (£m)† | - | 1352.9 | 1318.8 | 1392.5 | 1622.3 | 1151.9 |
| Equity bargains† | - | 33,356 | 29,826 | 27,986 | 29,506 | 33,004 |
| Shares traded (mi)† | - | 593.7 | 583.3 | 604.4 | 641.1 | 548.0 |

† Excluding intra-market business and overseas turnover.

## FT GOLD MINES INDEX

# LONDON SHARE SERVICE

## BANKS

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £22½ | -⅜ | £25⅛ | £22⅜ | 6,216 | 5.0 | ♦ |
| ANZ A$ | | 229 | -7½ | 278¼ | 220½ | 2,996 | 4.0 | 18.0 |
| Abbey National | N□ | 469xd | -7 | 523 | 463 | 6,153 | 3.7 | 15.8 |
| Allied Irish I£ | ♣N□ | 258xd | — | 314 | 241 | 1,690 | 4.9 | 9.8 |
| Anglo Irish I£ | ♣N□ | 55 | -1 | *70 | 55 | 138.3 | 7.8 | 10.0 |
| Asahi Y | | 749¼ | -4½ | 789¼ | 628 | 17,189 | 0.7 | - |
| Banco Bil Viz Pts | | £16⅛ | -⅛ | £18⅞ | £14⅛ | 3,477 | 5.5 | 6.8 |
| Banco Sant Pts | | £31⅛ | — | £34⅝ | £29⅛ | 3,513 | 4.3 | 12.1 |
| Bk Ireland I£ | ♣u□ | 285 | — | *319 | 246 | 1,249 | 4.7 | 19.5 |
| Bank Scotland | ♣†□ | 184½ | -2½ | 247 | 183 | 2,147 | 3.2 | 25.1 |
| 9¼pc Pf | | 128½ | -¼ | 141½ | 128¾ | 128.5 | 9.1 | - |
| 9¾pc Pf | | 133½ | -¼ | 148½ | 131½ | 133.5 | 9.1 | - |
| Barclays | N□ | 522xd | +3 | 649 | 487 | 8,477 | 3.6 | 21.6 |
| Dai Ichi Kan Y | | £12⅛ | -⅛ | £12⅛ | £10⅞ | 39,579 | 0.4 | 70.1 |
| Deutsche DM | | £301⅛ | -5⅛ | £344¼ | £298¼ | 14,367 | 2.0 | - |
| Espirito Santo | | £19⅞ | -⅛ | £23⅛ | £19⅛ | 208.0 | 4.1 | 4.7 |
| First Nat Fin | N□ | 72 | — | *90 | 80 | 118.3 | 2.6 | - |
| 6.3pc Cv Pf | | 83 | — | *90 | 77 | 5.58 | 9.5 | - |
| 7pc Cv Pf | | 148 | — | 171 | 123 | 78.7 | 5.9 | - |
| Fuji Bank Y | | 1524 | -25¾ | 1549¾ | 1152½ | 44,125 | 0.4 | - |
| HSBC HK | □ | 776xd | -12 | 1133 | 749 | 13,088 | 3.8 | ♦ |
| HSBC (75p Shs) | □ | 787xd | -10 | 1113 | 733 | 6,404 | 3.9 | ♦ |
| Lloyds | N□ | 535xd | -2½ | 680 | 534 | 6,874 | 5.2 | 11.3 |
| Mitsubishi Y | | £18⅛ | -⅛ | £18⅛ | £15⅛ | 53,793 | 0.3 | - |
| Mits Tst & Bk Y | | 1032¼ | +1¼ | 1094¼ | 687½ | 13,448 | 0.5 | 16.6 |
| Mitsui Tst & Bk Y | | 708¼ | -20¼ | 811¼ | 514 | 9,188 | 0.7 | 28.1 |
| Nat Aust A$ | | 584¼ | -10¼ | 620¼ | 537¾ | 7,423 | 4.2 | 13.7 |
| NatWest | N□ | 457xd | -3 | 622 | 448 | 7,589 | 5.1 | 10.4 |
| Ottomane FFr | | £28¼ | -½ | £33 | £27¾ | 148.6 | 4.9 | 7.2 |
| Ryl Bk Scotland | ♣N□ | 407 | +3 | 528 | 384 | 3,249 | 3.4 | 18.4 |
| Sakura Y | | £9⅛ | +⅛ | £9⅛ | £8⅛ | 30,093 | 0.6 | 56.7 |
| Sanwa Y | g | £15⅛ | -⅛ | £15⅛ | £11⅞ | 43,727 | 0.4 | - |
| Standard Chartd | ♠N□ | 1054xd | -36 | 1437 | 1026 | 2,529 | 2.8 | 10.9 |
| 7 3/8pc Prf | | 95 | -¼ | 108½ | 92¾ | 95.0 | 9.7 | - |
| Sumitomo Y | | £14⅛ | — | £16⅛ | £11½ | 45,701 | 0.4 | 31.3 |
| Sumitomo Tst Y | | 996¼ | +1⅛ | 1008½ | 625 | 12,391 | 0.5 | 78.1 |
| TSB | N□ | 216½ | -4 | 291 | 210 | 3,297 | 4.5 | 14.7 |
| Tokai Y | | £8¾ | +⅛ | £8⅞ | [illegible] | 16,774 | 0.6 | 55.9 |
| Toyo Tst & Bk Y | | 783¼ | +12 | 784½ | 568¼ | 6,156 | 0.6 | 69.9 |
| Westpac A$ | | 224 | -10 | 260 | 207 | 3,827 | 2.4 | ♦ |
| Yasuda Tst Bk Y | ‡ | 612¼ | +1 | 694¼ | 442 | 6,760 | 0.8 | 54.6 |

## BREWERIES

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Ascot Hldgs | □ | 7 | — | 10¼ | 6 | 28.0 | - | - |
| Bass | N□ | 582 | -1 | 619 | 507 | 4,895 | 4.4 | 15.0 |
| Boddington | N□ | 285xd | +5 | 288 | 257 | 320.9 | 3.8 | 14.8 |
| Burtonwood | | 188 | — | 193 | 168 | 34.9 | 3.8 | 14.0 |
| Eldridge Pope A | ♣N | 145 | — | 161 | 142 | 28.2 | 3.1 | 20.1 |
| Fosters A$ | | 57½ | -2 | 65 | 56 | 1,851 | 5.0 | 67.8 |
| Fuller STA | ♣† | 498 | +1 | 498 | 423 | 88.5 | 2.2 | 18.3 |
| Gibbs Mew | ♣† | 420 | — | 423 | 373 | 27.0 | 2.5 | 20.8 |
| Greenalls | ♣N□ | 455 | +6 | 511 | 429 | 950.0 | 3.4 | 13.4 |
| Greene King | †N□ | 479 | -8 | 584 | 479 | 282.8 | 3.2 | 13.4 |

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## ENGINEERING, VEHICLES - Cont.

## EXTRACTIVE INDUSTRIES

## FOOD MANUFACTURERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

هكذا من الاصل

صكذا من الاصل



## INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1994 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Perpetual Japan | □ | 119½ | +1 | 119½ | 89 | – | 111.1 | –7.0 |
| Warrants | □ | 79½ | +½ | 88 | 47 | – | – | – |
| Personal Assets | † | £90¼xd | –¼ | £94 | £86¼ | 2.8 | 8602.3 | –4.7 |
| Pilot Inv | Z□ | 146 | ..... | 153 | 125½ | 0.4 | 134.5 | –7.9 |
| Warrants | □ | 65 | ..... | 69 | 44 | – | – | – |
| C | □ | 110 | ..... | 117 | 102 | – | 108.4 | –1.5 |
| Primadona | | 275 | ..... | 283 | 267 | 2.0 | 324.2 | 15.2 |
| Ptarmigan Intl | ♣□ | 238 | ..... | *278 | 232 | 0.4 | 257.8 | 7.7 |
| Warrants | | 85 | –1 | 140 | 85 | – | – | – |
| RIT Capital | □ | 174 | ..... | 189 | 170 | 0.8 | 218.7 | 20.4 |
| 2½pc Cv Ln 2000 | | £174 | ..... | £188½ | £170½ | 1.4 | – | – |
| Radiotrust | □ | 85 | ..... | 88 | 70 | – | 68.6 | –19.3 |
| Rights & Iss Inc | | 155 | ..... | 164 | 153 | 7.0 | – | – |
| Cap | | 465 | ..... | 535 | 440 | 2.2 | 521.8 | 10.9 |
| Riv & Merc Am Inc | | 112xd | ..... | 121 | 111 | 8.7 | – | – |
| Cap | □ | 34 | –½ | 38 | 31½ | – | 44.7 | 23.9 |
| Warrants | | 14 | ..... | 17 | 13 | – | – | – |
| Riv & Mer Ext | N□ | 135 | –1 | 147 | 129 | 7.3 | 123.2 | –8.7 |
| Warrants | | 37 | –1 | 49 | 29 | – | – | – |
| Zero Div Pf | | 113 | ..... | 118½ | 113 | – | – | – |
| Riv & Mer Geared | | 109 | ..... | 118 | 93 | 9.4 | – | – |
| Prfd Cap 1999 | | 27 | ..... | 35 | 26½ | – | 37.5 | 28.0 |
| Riv & Merc Smlr | N□ | 147 | ..... | 176 | 142 | 3.4 | 147.0 | 43.2 |
| Warrants | | 54 | ..... | 77 | 47 | – | – | – |
| Riv & Merc Tst Inc | N□ | 119 | ..... | 127 | 114 | 8.7 | – | – |
| Cap | □ | 130 | ..... | 150 | 122 | – | 215.2 | 39.6 |
| Warrants | | 34 | ..... | 48 | 32 | – | – | – |
| Do. Stppd Prf | N | 154½xd | ..... | 163 | 154 | 4.6 | – | – |
| River Plate Inc | N□ | 111 | ..... | 113 | 106 | 10.0 | – | – |
| Cap | | 98 | –2 | 116 | 95 | – | 172.4 | 43.2 |
| Warrants | | 5 | ..... | 11 | 5 | – | – | – |
| [illegible] | | | | | | | | |

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LEISURE & HOTELS - Cont.

| | Notes | Price | + or - | 1994 high | low | Mkt Cap £m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Friendly Hotels | | [illegible] | | | | | | |
| GR | | [illegible] | | | | | | |
| Granada | | [illegible] | | | | | | |
| 7½p Cv Pf | | [illegible] | | | | | | |
| Harmony Pro... | | [illegible] | | | | | | |
| Hi-Tec Sports | | [illegible] | | | | | | |
| Hornby | | [illegible] | | | | | | |
| BMC Inds. | | [illegible] | | | | | | |
| Inspirations | | [illegible] | | | | | | |
| Jarys Hotel... | | [illegible] | | | | | | |
| Kunick | | [illegible] | | | | | | |
| 8¼pc Cv Pf | | [illegible] | | | | | | |
| Ladbroke | | [illegible] | | | | | | |
| Magnolia | | [illegible] | | | | | | |
| Man Utd | | [illegible] | | | | | | |
| Mandarin Or... | | [illegible] | | | | | | |
| Millwall | | [illegible] | | | | | | |
| Northern | | [illegible] | | | | | | |
| Owners Abro... | | [illegible] | | | | | | |
| 9¾p Cv Pf | | [illegible] | | | | | | |
| Parkdean Le... | | [illegible] | | | | | | |
| Pelican | | [illegible] | | | | | | |
| PizzaExpress | | [illegible] | | | | | | |
| Prism Leis... | | [illegible] | | | | | | |
| Quadrant | | [illegible] | | | | | | |
| Queens Moat... | | [illegible] | | | | | | |
| 7pc Cv Pf | | [illegible] | | | | | | |
| 7¼pc Cv... | | [illegible] | | | | | | |
| Ramsden's... | | [illegible] | | | | | | |
| Rank Org. | | [illegible] | | | | | | |
| 8¼p Cv Pf | | [illegible] | | | | | | |
| [illegible] | | | | | | | | |

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PHARMACEUTICALS

[illegible]

## PRINTING, PAPER & PACKAGING

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## SOUTH AFRICANS

[illegible]

## GUIDE TO LONDON SHARE SERVICE

[illegible]

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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### FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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# FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group

Eagle Star Life Assurance Co Ltd

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

N & P Life Assurance Ltd

Providence Capital Life Assc. Co Ltd - Contd.

## OTHER UK UNIT TRUSTS

## INSURANCES

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Save & Prosper Group - Contd.

[illegible]

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

[illegible]

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

[illegible]

Sun Alliance Group

St Mark's Court Horsham 0403 232323

[illegible]

## OFFSHORE INSURANCES

AXA Equity & Law Int'l Life Assce Co

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

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# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES AND MONEY

## MARKETS REPORT

# Dollar fails to rally

Continued trade and political uncertainty in Japan put a dampener on the dollar yesterday despite the 25 basis points increase in US short-term interest rates on Monday, *writes Philip Gawith.*

The US currency closed in London nearly two pfennigs lower at DM1.701 from DM1.7202 on Thursday. It was also weaker against the yen, finishing at Y103.215 from Y103.625.

Most analysts remain cautiously optimistic about the outlook for the dollar, but sentiment is becoming increasingly uncertain as investors despair at what is required to boost the US currency.

The D-Mark was the beneficiary of dollar weakness. Today the German currency may come under pressure when the Bundesbank announces the extent to which it has allowed the repo rate to fall in the weekly securities repurchase auction.

Elsewhere, the Bank of Portugal lowered its emergency lending rate to 12 per cent from 13 per cent, signalling the beginning of a return to normality following a few weeks when the escudo was under attack.

■ The dollar has remained under pressure ever since the resignation earlier this month of Japan's prime minister, Mr Morihiro Hosokawa. Delay in appointing a successor has aggravated concerns about whether a new government will be able to make progress in resolving Japan's damaging trade dispute with the US.

Sentiment was not helped by the release of US February trade figures showing that the overall deficit, including goods and services, widened to $9.7bn from a revised $6.6bn in January.

Dealers said the dollar was also under pressure from Japanese exporters selling the dollar to meet yen requirements. Some had held off converting their dollar receipts as the US currency weakened recently, but decided to change them when it appeared the dollar's downside risk had risen.

Mr Chris Turner, currency strategist at BZW, said: "What the dollar needs is the conviction in the bond and equity markets that the Fed is doing enough to combat inflation." Currently, there was confusion both about what the Fed was doing, and what it was achieving.

Mr Mark Austin, treasury economist at Midland Global Markets, said the risks for the dollar are on the downside. "People are starting to say: What else do we need to take the dollar higher, and there is nothing obvious on the horizon."

■ The weak dollar spilled over into D-Mark strength across the board. Investors often return to the D-Mark in times of uncertainty.

The French franc closed at FFr3.429 against the D-Mark from FFr3.422, but was later trading at FFr3.4350, below its old ERM floor of FFr3.4305. Part of this weakness is attributable to anticipation that the Bank of France may cut interest rates at its council meeting on Thursday.

Mr Brian Hilliard, senior international economist at SGST, said recent industrial relations setbacks had also knocked some of the shine off the policies of Mr Edouard Balladur, the prime minister.

The amount of any French rate cut is likely to be determined by the extent to which the Bundesbank cuts the repo rate today. Call money remained fairly easy yesterday at 5.50/5.60 per cent, below the current repo rate of 5.7 per cent. Market predictions are that the repo rate could fall by as much as 10 basis points.

In the futures market the June euromark contract finished three basis points firmer at 94.69, but the longer contracts lost ground.

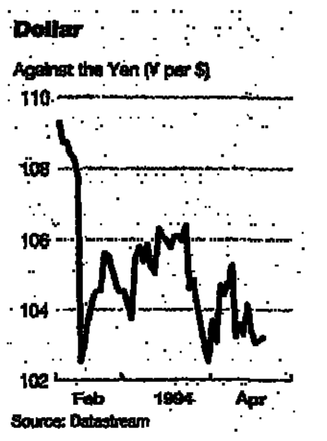
■ Ms Wendy Niffikeer, senior economist at IBJ International, said by cutting rates the Bank of Portugal was "testing how much of an interest rate cut the currency can tolerate." She said the central bank had chosen a slightly awkward day, as the peseta was weaker and the two currencies normally track each other.

With the escudo having stayed fairly stable yesterday - it closed at Es102.1 against the D-Mark from Es101.8 - the IBJ analyst predicted further cuts as the central bank tries to return to pre-crisis interest rates. The emergency rate was then at 10 per cent.

■ Sterling finished over a pfennig down against the stronger D-Mark, closing at DM2.5144 from DM2.5288. In the money markets, the Bank of England provided late assistance of about £415m after declaring a revised shortage of £1.15bn. Earlier it had put £522m of liquidity into the system. Overnight rates were in the 5-10 per cent range.

In the futures market, the June short sterling contract closed 4 basis points up at 94.75, but the prices of longer contracts fell.

■ Investors responded enthusiastically to news that the mainly Zulu Inkatha Freedom Party has decided to contest next week's elections in South Africa. The commercial rand firmed by 3 per cent to R3.5575 against the dollar from R3.6605. The financial rand, the investment currency, closed 8 per cent higher at R4.915 from R5.345.



Source: Datastream

■ Pound in New York

| Apr 18 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.4770 | 1.4785 |
| 1 mth | 1.4754 | 1.4750 |
| 3 mth | 1.4736 | 1.4730 |
| 1 yr | 1.4723 | 1.4708 |

■ OTHER CURRENCIES

| Apr 19 | £ | $ |
|---|---|---|
| Hungary | 152.066 - 152.286 | 102.900 - 103.000 |
| Iran | 2573.00 - 2579.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4395 - 0.4409 | 0.2974 - 0.2982 |
| Poland | 33073.2 - 33148.0 | 22380.0 - 22420.00 |
| Russia | 2641.54 - 2651.86 | 1787.00 - 1794.00 |
| U.A.E. | 5.4272 - 5.4362 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

### EMS EUROPEAN CURRENCY UNIT RATES

## WORLD INTEREST RATES

### MONEY RATES

### EURO CURRENCY INTEREST RATES

## UK INTEREST RATES

### LONDON MONEY RATES

### BASE LENDING RATES

**LONDON TRADITIONAL OPTIONS. April 19**

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

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# WORLD STOCK MARKETS

## EUROPE

### AUSTRIA (Apr 19 / Sch)

[illegible]

### BELGIUM/LUXEMBOURG (Apr 19 / Frs.)

[illegible]

### DENMARK (Apr 19 / Kr)

[illegible]

### FINLAND (Apr 19 / Mks)

[illegible]

### FRANCE (Apr 19 / Frs.)

[illegible]

### GERMANY (Apr 19 / Dm.)

[illegible]

### ITALY (Apr 19 / Lire)

[illegible]

### NETHERLANDS (Apr 19 / Fls.)

[illegible]

### NORWAY (Apr 19 / Kroner)

[illegible]

### SPAIN (Apr 19 / Pts.)

[illegible]

### SWEDEN (Apr 19 / Kronor)

[illegible]

### SWITZERLAND (Apr 19 / Frs.)

[illegible]

## PACIFIC

### JAPAN (Apr 19 / Yen)

[illegible]

### HONG KONG (Apr 19 / H.K.$)

[illegible]

### MALAYSIA (Apr 19 / MYR)

[illegible]

### SINGAPORE (Apr 19 / S$)

[illegible]

### AUSTRALIA (Apr 19 / Aust$)

[illegible]

## NORTH AMERICA

### CANADA

### TORONTO (Apr 19 / Can $) 4 pm close

[illegible]

### MONTREAL (Apr 19 / Can $) 4 pm close

[illegible]

## AFRICA

### SOUTH AFRICA (Apr 19 / Rand)

[illegible]

*Prices supplied by Telekurs*

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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### ■ TOKYO - MOST ACTIVE STOCKS: Tuesday, April 19, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Sakai Ovex | 5.9m | 700 | +58 | NKK | 4.8m | 262 | +1 |
| Nippon Steel | 5.6m | 357 | –3 | Fujitsu | 4.0m | 1040 | +10 |
| JAL | 5.8m | 709 | +8 | Isuzu Motors | 3.6m | 494 | –4 |
| M'bishi Heavy | 5.4m | 692 | +1 | Toshiba | 3.5m | 795 | +5 |
| Kawasaki Steel | 5.0m | 377 | –8 | Hitachi | 3.5m | 977 | –9 |

## INDICES

[illegible]

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Apr | 2164.0 | 2147.0 | -13.0 | 2174.0 | 2126.0 | 33,084 | 25,795 |
| May | 2155.5 | 2146.0 | -13.5 | 2170.0 | 2128.0 | 881 | 8,365 |
| Jun | 2138.0 | 2128.0 | -13.0 | 2158.0 | 2112.0 | 858 | 24,868 |

Open interest figures for previous day.

– Sat Apr 16: Taiwan Weighted Price 5565.61; Korea Comp Ex 893.76. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 19 - 2193.99 -24.48

## US INDICES

[illegible]

### ■ NEW YORK ACTIVE STOCKS

| | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Merck | 3,319,800 | 28¾ | +⅛ |
| IBM | 3,119,800 | 53⅞ | +⅞ |
| Digital Eq | 2,877,200 | 21⅝ | -1⅞ |
| Chrysler | 2,518,600 | 51⅛ | +¼ |
| Motorola | 2,379,000 | 89⅞ | – |
| Wal-Mart | 2,344,400 | 24⅝ | -⅛ |
| Gen Motors | 2,168,400 | 56⅝ | -1⅛ |
| Coca-Cola | 1,915,900 | 39⅝ | ... |

### ■ TRADING ACTIVITY

| | | | |
|---|---|---|---|
| NYSE | | | |
| Issues Traded | 2,768 | 2,792 | 2,786 |
| Rises | 629 | 1,023 | 926 |
| Falls | 1,850 | 1,103 | 1,217 |
| Unchanged | 513 | 840 | 843 |
| New Highs | 13 | 14 | 13 |
| New Lows | 184 | 119 | 134 |

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close April 19

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17⅞ | 14⅛ | AAR | 0.48 | 3.0 | 63 | 48 | 16 | 15¾ | 16 | +⅛ |
| 16⅞ | 14 | A L Labs A | 0.18 | 1.3 | 32 | 136 | 14 | d13¾ | 14 | |
| 65½ | 58¼ | AMP | 1.68 | 2.9 | 20 | 2228 | 59¾ | d58¼ | 58⅜ | -⅝ |
| 72¾ | 53¼ | AMR | | | 28 | 7901 | 54⅛ | d52⅛ | 53½ | -¼ |
| 5 | 3⅝ | ARX | | | 14 | 67 | 4⅜ | 4⅛ | 4¼ | |
| 56⅛ | 38⅞ | ASA | 2.00 | 5.1 | 25 | 2137 | 40½ | d38¾ | 39 | -½ |
| 30⅝ | 25⅜ | AbbotL x | 0.76 | 2.7 | 16 | 11429 | 27⅞ | 27½ | 27¾ | +⅜ |
| 13¾ | 11⅞ | AbMd Pr | 0.50 | 4.2 | 7 | 92 | 12⅛ | 12 | 12 | -⅛ |
| 13¾ | 11⅛ | Acpincain | | | 22 | 111 | 12⅛ | 12 | 12 | -⅛ |
| 31 | 24½ | ACE Ltd | 0.40 | 1.4 | 4 | 16 | 28¼ | 28⅛ | 28⅛ | |
| 12½ | 10⅛ | ACM Gvt In | 1.09 | 10.2 | | 162 | 10⅞ | 10¾ | 10¾ | -⅛ |
| 10⅛ | 7⅞ | ACM GvOpp | 0.80 | 9.4 | | 44 | 8½ | 8⅜ | 8½ | +⅛ |
| 10⅝ | 8⅝ | ACM Gvt Sp | 0.96 | 11.3 | | 441 | 8⅝ | d8⅜ | 8½ | -⅛ |
| 12 | 9¼ | ACM Gvt Se | 1.09 | 11.1 | | 1121 | 10 | d9⅝ | 9⅞ | |
| 11¾ | 8¾ | ACM Man | 1.08 | 10.9 | | 258 | 9⅞ | 9¾ | 9⅞ | -⅛ |
| 9¾ | 8 | ACM Managd | 0.72 | 8.7 | | 95 | 8⅜ | 8¼ | 8¼ | -⅛ |
| 12 | 8¾ | AcmeCle | 0.44 | 4.2 | 12 | 51 | 10½ | 10⅜ | 10½ | -¼ |
| 8½ | 7⅛ | Acme Elect | | | 36 | 36 | 8⅜ | 8¼ | 8⅜ | |
| 28¼ | 23 | Acordia | 0.60 | 2.2 | 13 | 10 | 27⅛ | 27⅛ | 27⅛ | -⅛ |
| 9¼ | 5¾ | Actava | 0.36 | 4.0 | 3 | 2411 | 9⅛ | 8⅞ | 9 | |
| 13⅞ | 11¼ | Acuson | | | 94 | 111 | 12⅜ | 12¼ | 12¼ | -⅛ |
| 18⅞ | 16½ | Adams Expr | 0.48 | 2.9 | 0 | 166 | 17 | 16¾ | 16¾ | -¼ |
| 64 | 46½ | Ad Micro | 3.00 | 5.8 | | 881 | 52⅜ | 50½ | 51⅛ | -½ |
| 31⅞ | 16¾ | AdvMic | 3.00 | 12.7 | 10 | 9791 | 24½ | 22¾ | 23⅝ | -¾ |
| 6⅞ | 5⅝ | Advest Grp | 0.16 | 2.8 | 9 | 43 | 5¾ | 5¾ | 5¾ | |
| 20 | 16¾ | Advo Inc | 0.10 | 0.61 | 19 | 448 | 18 | 17⅞ | 17⅞ | |
| 57¼ | 49⅜ | Aegon ADR | 1.23 | 2.4 | 11 | 61 | 51⅜ | 51¼ | 51¼ | |
| 65¾ | 49¾ | AetnaL | 2.76 | 5.3 | 9 | 2668 | 52⅛ | 51 | 51¾ | +⅛ |
| 31⅞ | 25¼ | Aflac | 0.40 | 1.4 | 12 | 755 | 29¼ | 29 | 29 | -¼ |
| 20¼ | 16⅞ | Ahmanson | 0.88 | 4.9 | 11 | 2228 | 18⅛ | 17¾ | 18 | |
| [illegible] | | | | | | | | | | |

| 1994 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 11⅝ | 9¼ | Kemp Multm x | 0.96 | 9.7 | | 153 | 9⅞ | 9¾ | 9⅞ | |
| 62⅛ | 35⅛ | Kemper | 0.92 | 1.6 | 22 | 2886 | 58½ | 55⅝ | 58 | -½ |
| 10⅛ | 8¾ | Kemper Hi x | 0.90 | 9.7 | | 347 | 9¼ | 9⅛ | 9¼ | |
| 8⅞ | 7⅛ | Kemper IGv x | 0.70 | 9.5 | | 184 | 7⅜ | 7¼ | 7⅜ | +⅛ |
| 13¼ | 11 | Kemper Mun x | 0.87 | 7.5 | | 174 | 11⅝ | 11⅝ | 11⅝ | -¼ |

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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*4 pm close April 19*

## NYSE COMPOSITE PRICES

Continued from previous page

| 1994 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18½ | 13⅝ | SbyR | 0.38 | 2.4 | 8 | 4133 | 15 | 14⅝ | 14¾ | +⅛ |
| 27 | 19¾ | Safeway | | | 25 | 4180 | 25⅞ | 24⅞ | 25⅜ | +¼ |
| 6⅜ | 4½ | SafewayWSC | | | | 250 | 6¼ | 6 | 6 | |
| 57⅞ | 50¼ | StJoePaper | 0.20 | 0.4 | 291 | 9 | 55⅝ | 55¼ | 55⅝ | -½ |
| 30¼ | 28 | StJosL&P | 1.80 | 6.1 | 14 | z100 | 29⅜ | 29⅜ | 29⅜ | +⅛ |
| 90 | 76⅜ | StPaul | 3.00 | 3.6 | 8 | 1217 | 82⅜ | 81½ | 82¼ | +⅝ |
| 9⅞ | 8¾ | Salant Crp | | | 9 | 249 | 8 | 7¾ | 7⅞ | -⅛ |
| 49⅝ | 39⅜ | Sallie Mae | 1.40 | 3.5 | 8 | 2208 | 40⅛ | d38 | 39⅝ | |
| 13⅞ | 11⅞ | Salomon Br | 0.34 | 2.8 | | 596 | 12⅜ | 12⅛ | 12⅛ | |
| 52⅜ | 44⅜ | Salomon | 0.64 | 1.3 | 6 | 2924 | 50¼ | 49 | 49¾ | -⅝ |
| 25 | 21½ | SaDgGE | 1.52 | 6.8 | 12 | 1009 | 22¼ | 22 | 22¼ | |
| 10 | 7½ | SantaFeERs | 0.16 | 1.9 | 9 | 1387 | 8½ | 8¼ | 8½ | +¼ |
| 40 | 34⅝ | SantaFePac | 2.80 | 7.5 | 17 | 21 | 37⅞ | 37¼ | 37½ | |
| 28¼ | 27¾ | SanFeP | 0.10 | 0.4 | 12 | 5140 | 23 | 22¼ | 22⅜ | -⅝ |
| 26 | 20⅝ | SaraLee | 0.64 | 3.1 | 14 | 11945 | 21 | d20⅛ | 20⅝ | |
| 50⅛ | 44½ | Scana Corp | 2.62 | 6.3 | 12 | 110 | 45 | 44¾ | 45 | +⅛ |
| 20½ | 16 | Scecrp | 1.42 | 8.6 | 11 | 4680 | 16½ | 16⅛ | 16½ | +¼ |
| 40½ | 34¾ | SchermRP | | | 26 | 134 | 35¾ | 35¼ | 35¼ | -⅜ |
| 69⅜ | 54½ | SchrPl | 1.80 | 3.1 | 13 | 5856 | 57⅝ | 54⅞ | 57½ | +2⅜ |
| 61½ | 50¼ | Schlmb | 1.20 | 2.3 | 22 | 3940 | 53⅞ | 52¾ | 53⅛ | -⅜ |
| 33 | 25¼ | Schwab(C) | 0.28 | 1.1 | 12 | 1187 | 27 | 26⅜ | 26½ | -⅜ |
| 10¾ | 6⅛ | Schweitzer | | | 25 | 15 | 8⅞ | 8¾ | 8¾ | |
| 36⅞ | 24⅞ | SciAtl | 0.12 | 0.4 | 53 | 2760 | 27¼ | 26 | 26¾ | +1 |
| 16⅞ | 13½ | Scotsman | 0.10 | 0.7 | 12 | 115 | 13¾ | d13⅜ | 13⅜ | -½ |
| 46¾ | 37¾ | ScottP | 0.80 | 2.1 | 8 | 8058 | 38⅜ | d37¼ | 37¾ | |
| 25⅝ | 16⅝ | ScudderNAsF | 0.21 | 0.9 | | 117 | 22⅝ | 22¼ | 22½ | +⅛ |

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

## AMEX COMPOSITE PRICES

*4 pm close April 19*

## NASDAQ NATIONAL MARKET

*4 pm close April 19*

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

# Dow reverses course following early rise

### Wall Street

US share prices reversed course and dropped after an encouraging start yesterday morning, in spite of a firming trend in bonds and a batch of solid earnings reports, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 7.14 lower at 3,613.28, while the more broadly based Standard & Poor's 500 dipped 0.12 to 442.34.

In the secondary markets, the American SE composite was down 2.38 at 431.62, and the Nasdaq composite dropped 7.14 at 713.31 as technology stocks tumbled.

At the opening bell, investors showed a touch of optimism after the Federal Reserve's announcement of tighter credit conditions the previous session sparked a 41-point decline in the blue chips.

Stocks made steady headway during the morning. A firming trend in bonds suggested that the reaction of the financial markets to the latest rate increase may be cooler than their responses to the previous two Fed tightenings. By midday, the benchmark 30-year government security was 11/32 higher at 86 28/32, with the yield slipping to 7.383 per cent.

The improvement partly reflected a favourable interpretation of a widening of the US trade deficit in February.

With a decline in exports contributing to the trend, it suggested a slowdown in economic growth and an easing of inflationary pressure, a happy development for fixed-rate investors.

But even the improvement in bonds could not stem the tide of bearish sentiment influencing equities. Cyclical issues, linked to the health of the economy, began to give ground near midday.

The Dow industrials soon followed technology stocks into negative territory, where they had been mired for most of the session.

Three key Dow components were down sharply. Alcoa fell $1⅞ to $64½, Caterpillar dropped $1¼ to $106⅞ and International Paper $2 to $62⅞.

The difficulty in pleasing the beleaguered market was underlined by Chrysler, which lost $2⅞ to $48¼, in spite of posting slightly better-than-expected results for the first quarter. The stock dragged General Motors down $2⅞ to $54¼ and Ford $1⅞ to $55⅞.

By contrast, Union Carbide picked up $1 to $24⅞ after releasing details of a steady performance in the first quarter.

Sprint was in favour as well, climbing $1½ to $36½ on double-digit increases in operating income and long-distance telephone revenues.

In the semiconductor sector, Micron Technologies was marked down $2 to $32⅞. Texas Instruments was $3 lower at $67.

On the Nasdaq, Intel slipped $1⅞ to $57 and Wellfleet $1⅞ to $66⅞. A notable exception to the general downturn was Microsoft, up $3⅞ at $86⅞.

### Canada

Toronto stocks moved sharply lower at midday as a fall in gold prices led declines across the board.

Traders said that the tightening of US monetary policy on Monday was continuing to weigh on the equity and bond markets.

The TSE-300 composite index extended earlier losses to trade down 32.58 at 4,135.48 in volume of 36.4m shares valued at C$358.9m. Declines outpaced advances by 505 to 142 with 253 unchanged.

The precious metals index fell 233.70 or 2.5 per cent, to 8,971.13 as gold prices remained weak at noon.

### Mexico

Mexican stocks tumbled in mid-morning trade on fears of rising domestic interest rates.

The IPC index fell 41.53 or 1.9 per cent to 2,096.09 in volume of 10.5m shares.

Telmex accounted for 8.25m of the volume, with a decline of 1.9 per cent in both the A and the L shares.

One of the heaviest losers in early trading was the construction company, Tribasa, down 5 per cent at 34.20 pesos.

EUROPE

# Bourses in rebound after intraday drop

An early rally on Wall Street repaired some of the damage sustained by bourses earlier yesterday after the Fed's latest rate increase, *writes Our Markets Staff.*

**FRANKFURT** offered a delayed, but severe reaction to the Fed as June bund futures fell though a key support level. In addition, rumours flew late in the session about Deutsche Bank, its employees and the conditions under which loans to the Jürgen Schneider property concern were made.

The Dax index, unworried in the pre-bourse, fell 56.36 or 2.5 per cent to 2,172.42 on the session as turnover eased only slightly from DM11.9bn to DM11.2bn.

A rebound in bunds, short covering and bargain hunting allowed the Dax to recover, after hours, to an Ibis-indicated 2,193.89. Deutsche Bank first fell DM30.50, or 3.9 per cent to DM748 and then recovered to DM758.50 in the afternoon.

Meanwhile Allianz, the insurer, was unsullied by rumour but depressed by its reputation for high volatility, financial sector unfashionableness and its sheer weight in the Dax index. The shares dropped DM140, or 5.3 per cent to DM2,520 on the session, recovering to DM2,575 after hours.

**PARIS** saw the CAC-40 index fall to a session low of 2,117 before it closed off 24.08, or 1.1 per cent at 2,135.98.

Pechiney International saw one of the steepest losses, losing FFr19.50 to FFr180 as the packaging group disappointed with its 1993 results and expectations of no improvement in prospects this year.

Gan fell FFr15.90 to FFr406.10, also affected by negative reaction to its 1993 figures. The market had been looking for profits between FFr500m-FFr700m and the insurer came in with FFr414m.

**AMSTERDAM** remained uneasy following Monday's news from the Fed and the AEX index shed 4.98 or 1.2 per cent to 416.45. However, the market picked up after a late recovery in bond markets.

CS First Boston issued an overweight recommendation on Dutch equities, and said that it was looking at a possible 11 per cent rise in the index by year-end. Its reasons included: the prospect of low inflation; and higher economic growth than previously forecast, leading to an upswing in corporate earnings.

Philips, which bore the brunt of heavy selling in the options exchange, recovered from a day's low of Fl 54.50 to close off Fl 1.60 at Fl 55.40.

**MILAN** picked up from its lows as some tentative domestic buying emerged after Monday's profit-taking. The Comit index fell 16.42 or 2.1 per cent to 765.18.

The market's recent weakness prompted Actinvest, the independent research group, to reduce the equity weight of its portfolio further from 50 per cent to 35 per cent, having come back from 60 per cent last week. The group noted that the market had increased swiftly, peaking close to its target for 1994, before taking a much needed pause. However, negative news on the formation of the government could transform the technical rest into a significant correction.

Against the trend, Ferruzzi rose L115 or 4.5 per cent to L2,444. Fiat, viewed as a barometer of the market, picked up from lows to finish L29 down at L6,309.

Ciga, the hotel chain, soared L79 or 5.6 per cent to L1,239 on expectations that a public offering will be made for Ciga shares in the near future.

**ZURICH** was led lower by weak banks, under pressure from falling interest rate futures, although the market steadied as Wall Street opened. The SMI index finished down 32.0 at 2,837.1 after a low of 2,826.6.

UBS lost SFr32 or 2.6 per cent to SFr1,212, SBC dropped SFr9 to SFr425 and CS Holding fell SFr12 to SFr621.

Roche certificates finished SFr65 lower at SFr7,020, having tested the psychologically important SFr7,000 level, in spite of its announcement that 1993 group net profit advanced 29 per cent, in line with expectations, and that it planned to raise the dividend.

Ciba bearers lost SFr27 to SFr918 francs, while Sandoz dipped SFr20 to SFr3,855, its 1 per cent rise in first quarter sales disappointing some analysts.

**MADRID** moved from sickness to precarious health as the general index recovered 2.80 to 313.60 after a low of 305.47. Turnover was Pta34.6bn.

In banks, Popular rose Pta570, or 3.9 per cent to Pta15,140, lifted by its first quarter results and its decision not to bid for Banesto.

**WARSAW** rallied for the second consecutive session, with the WIG index showing a 6 per cent gain to 1,124.9.

**FT-SE Actuaries Share Indices**

Apr 19 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1461.48 | 1455.55 | 1450.28 | 1447.96 | 1443.42 | 1445.79 | 1448.74 | 1448.50 |
| FT-SE Eurotrack 200 | 1481.89 | 1479.71 | 1471.43 | 1469.00 | 1464.59 | 1467.18 | 1470.42 | 1470.88 |

| | Apr 18 | Apr 15 | Apr 14 | Apr 13 | Apr 12 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1470.55 | 1471.46 | 1467.07 | 1476.04 | 1488.27 |
| FT-SE Eurotrack 200 | 1492.35 | 1489.43 | 1482.61 | 1492.35 | 1500.69 |

Base 1000 (26/10/90); High/day: 100 - 1461.52; 200 - 1482.04 Low/day: 100 - 1441.42 200 - 1462.61

*Written and edited by William Cochrane, John Pitt and Michael Morgan*

ASIA PACIFIC

# US interest rate move leaves region lower

### Tokyo

Stocks weakened but closed off session lows on afternoon index-linked buying, *Reuter reports from Tokyo.*

Trading remained quiet throughout the day following a steep fall on Wall Street after the US Federal Reserve announced a further tightening of monetary policy.

The Nikkei 225 lost 85.02 to 20,192.34, after a low of 20,119.42 and a high of 20,300.66.

The Topix index ended down 6.23 at 1,637.01 and the Nikkei 300 shed 1.36 to 299.55. Volume was estimated at 320m shares, down from 387m on Monday.

Traders said that buying by foreign institutions and orders placed by domestic institutions prevented shares from slipping more sharply.

The 20,500 level is currently regarded as a major barrier for the Nikkei and investors are waiting for news which could encourage them to drive shares above that level.

Declining issues outstripped advances with 687 lower, 336 higher and 152 unchanged.

In London, the ISE/Nikkei 50 index rose 1.94 to 1,388.41.

Airline, mining, automobile, service and banking sectors led the gains. Pioneer Electronic rose on bargain-hunting, gaining Y100 to Y2,600 in heavy turnover. Shares were sought on a perception that they had been left behind in the recent rally among multimedia-related issues.

### Roundup

The rise in US short-term interest rates left the region almost uniformly lower.

Ms Joanna Shi at Credit Lyonnais Securities Asia noted that the impact on the Asian economies would be mixed. For Hong Kong and Thailand, the move was bad news as both countries were effectively pegged to the US dollar and interest rates would rise automatically in line with those in the US.

"The likely interest move in these two markets," she said, "will drain excess liquidity from the stock market."

Ms Shi added that for Malaysia, the impact would be minimal as interest rates were on a different cycle. Singapore's strong economic growth would lead to interest rates rising regardless of what happened in the US.

"In general, real economic growth is still exceptionally strong in the Asian region and thus sound fundamentals will support these markets after their initial fall."

**HONG KONG** fell 2.1 per cent, although late bargain hunting by institutional investors helped to pare losses.

The Hang Seng index sank 202.93 to 9,303.36, having dipped to a low of 9,203.09. Turnover rose to HK$4.30bn.

**BANGKOK** declined nearly 3 per cent, attributed both to the news from the US and to profit-taking following a gain of nearly 7 per cent over the last week. The SET index fell 38.31 to 1,274.02 in turnover of Bt8.2bn against Monday's Bt9.3bn.

**AUSTRALIA** was driven down by weaker bonds and futures and bearish overseas markets. The All Ordinaries index lost more than 20 points in the first 10 minutes of trade before ending 34.5 down at 2,061.4.

**SINGAPORE's** Straits Times Industrial index fell 18.07 to 2,221.00, prompting the view that the market was likely to consolidate in the short term, although it will remain underpinned by a strong economy and healthy corporate earnings growth.

**SEOUL** finished down in very thin trade after brief early gains were overwhelmed by a round of profit-taking in blue chips. The composite index lost 6.30 to 885.85 in volume of 24.6m shares, compared with the recent average of 35m.

**TAIWAN** edged slightly lower in active trade on profit-taking after Monday's rally. The weighted index fell 14.38 to 5,675.75 in turnover of T$58.9bn. Profit-taking was seen in financials and steels, which gained most recently.

**NEW ZEALAND** took its lead from falls in other markets and the NZSE 40 Capital index fell 37.41 to 2,104.70 in moderate turnover of NZ$45m.

**BOMBAY** ended lower ahead of a public holiday today and the end of the account tomorrow. The BSE 30-share index fell 36.62 to 3,830.29.

**MANILA** finished higher in spite of a fall during the morning session. The composite index added 5.82 to 2,825.93.

Gains were led by Manila Electric B shares which jumped 12.50 pesos to 510 pesos.

Volume eased to 838.2m shares compared to Monday's 1.3bn shares, while turnover increased to 1bn pesos from 966.5m pesos.

**KARACHI** rose on the first day of the new account with most of the activity concentrated on the major blue chip issues. The KSE 100-share index rose 28.01 or 1.1 per cent to 2,525.48 as volume rose to 12.2m shares from 9.8m.

### SOUTH AFRICA

Shares gained on news that the Inkatha Freedom party would take part in next week's elections.

Although industrials saw some profit-taking in the afternoon session the index closed 166 ahead at 5,924. The overall index added 110 to 5,080 while gold weakened 10 to 1,946 as the price of bullion fell.

Vaal Reefs lost R6 to R397.

# Bad news from Balkans, tax measures hit Athens

## Kerin Hope on the recent slide in Greek equities

Bad news from the Balkans and a furore over the Greek government's plans for fiscal reform are sending tremors through the Athens Stock Exchange.

Last week the general index bottomed at 954.39, down by 20 per cent from its high of 1,194.58 on January 18, recovering to 992.47 on Monday and easing slightly again yesterday.

In the Balkans, it was not just NATO air strikes in Bosnia, signalling that peace in the former Yugoslavia is still far off, which affected the index. A border incident with Albania, where Greek textiles companies are starting to transfer production, added to investors' anxieties; and the European Union's decision to start legal proceedings against Greece over its blockade of the former Yugoslav republic of Macedonia was another blow.

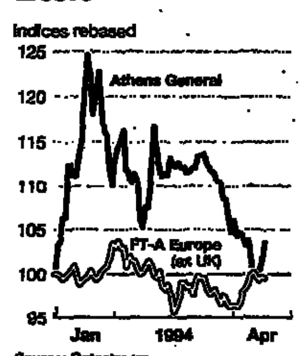
On top of that, equities have also been troubled by aspects of the socialist government's fiscal package. In particular, a proposal to tax dividends on mutual funds' holdings of treasury bills at 15 per cent took the bourse by surprise.

While earnings on bank deposits are taxed at 15 per cent, interest on government debt is still tax-free. Greece's flourishing mutual funds, with assets of Dr1,500bn ($6bn), are heavily invested in government securities, currently paying real interest of around 8 per cent.

Apart from upsetting fund managers' investment plans, the measure is expected to stall mutual fund growth. Fixed income funds, which invest almost all their assets in treasury bills, are especially hard hit, as there are few other suitable instruments available locally.

Although not aimed directly at the equity market, the tax proposal has affected sentiment there. Mr Peter Doukas of Citibank said: "It's a rather amateurish way of raising revenues that's going to hold the market back for a while."

**Greece**




Source: Datastream

Still, beneath the outrage voiced by fund managers, the conviction remains strong that Greece will perform well in the medium term. The queue of companies waiting for listings has never been longer, with several sectors of the economy about to be represented for the first time.

Listings by more than 20 companies in the first six months of this year are forecast to raise over Dr60bn in fresh equity. Rights issues by companies already listed are projected to total Dr 80bn in the same period.

Following the example of Credit Bank, which raised Dr31bn earlier this month, including a Dr7.5bn international tranche placed by Barings, Ionian Bank is planning a similar-sized rights issue.

Intracom, the telecoms equipment manufacturer, also plans to raise at least Dr20bn, while Intrasoft, its software subsidiary, is to be floated on the bourse.

However, construction companies are still setting the pace, with more than a dozen due to be listed by mid-year. They seem undeterred by persistent rumours that funds from the EU's new structural assistance package may be delayed, bringing postponements of infrastructure projects in preparation.

Mr Victor Pisante of Telesis Capital says: "The trend is for other companies in the same sector to seek listings once someone takes the plunge. Maintaining competitiveness is an important consideration."

Other companies preparing for a listing include passenger shipping lines, software manufacturers, textile producers, a media group and a fish farm.

The biggest issue of all, the listing of 25-30 per cent of OTE, the Greek state telecoms monopoly, is starting to take shape, with advisers due to be appointed this month.

Planned for October, the flotation is projected to raise over Dr300bn, of which the Athens bourse could absorb around Dr100bn, according to government advisers. The remainder would be offered to European, American and Japanese investors.

The flotation was originally set for last autumn but fell through when the conservative government collapsed. The socialists' advisers claim that, with international appetite for telecoms stocks increasing, the timing is now better than before.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY APRIL 18 1994 | | | | | | | | FRIDAY APRIL 15 1994 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (69) | 170.40 | 0.3 | 171.85 | 111.62 | 152.39 | 157.97 | 1.1 | 3.45 | 169.89 | 170.94 | 111.31 | 151.25 | 156.26 | 189.15 | 130.18 | 142.96 |
| Austria (17) | 178.70 | -0.2 | 180.23 | 117.06 | 159.82 | 159.62 | 0.2 | 0.97 | 179.15 | 180.26 | 117.37 | 159.49 | 159.22 | 195.41 | 139.63 | 140.48 |
| Belgium (42) | 164.62 | -0.2 | 166.02 | 107.83 | 147.22 | 143.71 | 0.2 | 3.79 | 164.93 | 165.94 | 108.05 | 146.83 | 143.41 | 171.69 | 141.82 | 152.80 |
| Canada (106) | 125.62 | -1.9 | 126.69 | 82.29 | 112.35 | 126.26 | -1.7 | 2.66 | 128.08 | 128.87 | 83.91 | 114.03 | 128.48 | 146.31 | 121.46 | 123.54 |
| Denmark (32) | 248.09 | 0.4 | 251.11 | 163.09 | 222.67 | 228.34 | 0.9 | 1.05 | 247.99 | 249.52 | 162.47 | 220.77 | 226.20 | 275.79 | 207.58 | 211.97 |
| Finland (22) | 145.07 | -1.3 | 146.31 | 95.03 | 129.74 | 168.20 | -1.0 | 0.89 | 146.93 | 147.83 | 96.26 | 130.80 | 169.84 | 156.72 | 84.12 | 84.12 |
| France (98) | 170.63 | -0.5 | 172.06 | 111.77 | 152.60 | 157.58 | 0.0 | 2.87 | 171.48 | 172.53 | 112.34 | 152.66 | 157.56 | 185.37 | 149.60 | 162.75 |
| Germany (58) | 138.40 | 0.7 | 139.58 | 90.65 | 123.77 | 123.77 | 1.1 | 1.65 | 137.45 | 138.30 | 90.05 | 122.36 | 122.36 | 142.38 | 107.59 | 115.16 |
| Hong Kong (56) | 392.60 | -0.1 | 395.95 | 257.17 | 351.12 | 389.46 | -0.1 | 2.73 | 393.14 | 395.57 | 257.57 | 350.00 | 389.86 | 506.56 | 285.67 | 287.51 |
| Ireland (14) | 187.79 | 0.2 | 189.39 | 123.01 | 167.94 | 185.81 | 0.7 | 3.24 | 187.39 | 188.55 | 122.77 | 166.83 | 184.49 | 209.33 | 155.93 | 169.74 |
| Italy (60) | 89.09 | -2.5 | 89.85 | 58.36 | 79.68 | 109.25 | -2.6 | 1.59 | 91.74 | 92.30 | 60.10 | 81.67 | 112.15 | 93.43 | 57.88 | 63.09 |
| Japan (469) | 158.64 | 0.5 | 159.99 | 103.91 | 141.88 | 103.91 | 0.5 | 0.78 | 157.79 | 158.77 | 103.38 | 140.48 | 103.38 | 165.91 | 124.64 | 138.34 |
| Malaysia (98) | 488.50 | 2.6 | 492.67 | 319.98 | 436.88 | 506.26 | 2.6 | 1.34 | 476.31 | 479.25 | 312.06 | 424.05 | 493.18 | 621.63 | 298.59 | 298.59 |
| Mexico (18) | 1880.81 | -0.4 | 1896.84 | 1231.96 | 1682.02 | 6921.17 | -0.4 | 0.73 | 1888.31 | 1899.94 | 1237.13 | 1681.07 | 6946.26 | 2947.06 | 1431.17 | 1846.89 |
| Netherland (26) | 200.90 | -0.8 | 202.61 | 131.59 | 179.67 | 176.96 | -0.5 | 3.17 | 202.57 | 203.82 | 132.71 | 180.34 | 177.77 | 207.43 | 163.30 | 170.76 |
| New Zealand (14) | 66.46 | 1.4 | 67.02 | 43.53 | 59.43 | 62.29 | 1.8 | 3.74 | 65.51 | 65.91 | 42.92 | 58.32 | 61.16 | 77.59 | 46.43 | 46.78 |
| Norway (23) | 193.22 | -0.3 | 194.86 | 126.56 | 172.79 | 185.45 | 0.0 | 1.70 | 193.82 | 195.01 | 126.98 | 172.55 | 185.36 | 206.42 | 150.61 | 164.36 |
| Singapore (44) | 337.08 | 1.7 | 339.95 | 220.80 | 301.46 | 242.09 | 1.6 | 1.60 | 331.39 | 333.42 | 217.10 | 295.02 | 238.38 | 378.92 | 234.07 | 234.07 |
| South Africa (60) | 216.43 | 0.9 | 218.28 | 141.77 | 193.56 | 252.85 | 0.0 | 2.44 | 214.42 | 215.74 | 140.47 | 190.88 | 252.84 | 260.26 | 163.46 | 164.57 |
| Spain (42) | 132.91 | -2.9 | 134.05 | 87.06 | 118.87 | 141.39 | -2.4 | 4.18 | 136.82 | 137.66 | 89.64 | 121.80 | 144.85 | 155.78 | 116.33 | 128.66 |
| Sweden (36) | 212.43 | 0.1 | 214.25 | 139.15 | 189.98 | 249.32 | 0.2 | 1.57 | 212.19 | 213.50 | 139.02 | 188.91 | 248.79 | 230.02 | 163.37 | 163.37 |
| Switzerland (46) | 160.58 | -0.3 | 161.94 | 105.18 | 143.60 | 145.24 | 0.0 | 1.60 | 161.07 | 162.06 | 105.52 | 143.39 | 145.24 | 178.56 | 118.09 | 118.09 |
| United Kingdom (205) | 189.74 | -1.1 | 191.36 | 124.29 | 169.69 | 191.36 | -0.9 | 3.86 | 191.83 | 193.01 | 125.68 | 170.78 | 193.01 | 214.96 | 170.32 | 174.37 |
| USA (520) | 180.19 | -0.8 | 181.73 | 118.03 | 161.15 | 180.19 | -0.8 | 2.94 | 181.63 | 182.74 | 118.99 | 161.69 | 181.63 | 198.04 | 176.91 | 183.30 |
| EUROPE (724) | 166.55 | -0.8 | 167.97 | 109.10 | 148.95 | 160.98 | -0.4 | 2.87 | 167.82 | 168.85 | 109.95 | 149.40 | 161.66 | 178.68 | 141.58 | 144.54 |
| Nordic (113) | 203.91 | -0.1 | 205.64 | 133.56 | 182.35 | 209.41 | 0.2 | 1.38 | 204.02 | 205.28 | 133.66 | 181.63 | 209.02 | 220.80 | 155.58 | 155.58 |
| Pacific Basin (750) | 167.31 | 0.6 | 168.74 | 109.59 | 149.63 | 114.30 | 0.6 | 1.05 | 166.38 | 167.39 | 108.99 | 148.11 | 113.63 | 169.80 | 134.79 | 142.23 |
| Euro-Pacific (1474) | 166.85 | 0.0 | 168.27 | 109.29 | 149.21 | 132.70 | 0.2 | 1.81 | 166.82 | 167.85 | 109.29 | 148.51 | 132.47 | 170.78 | 141.96 | 143.06 |
| North America (626) | 176.81 | -0.8 | 178.31 | 115.81 | 158.12 | 176.47 | -0.8 | 2.93 | 178.30 | 179.40 | 116.81 | 158.73 | 177.95 | 192.73 | 173.70 | 179.80 |
| Europe Ex. UK (519) | 150.26 | -0.6 | 151.54 | 98.43 | 134.38 | 141.98 | -0.1 | 2.27 | 151.09 | 152.02 | 98.99 | 134.51 | 142.18 | 155.73 | 122.37 | 125.83 |
| Pacific Ex. Japan (281) | 252.28 | 0.8 | 254.44 | 165.26 | 225.63 | 230.51 | 1.0 | 2.58 | 250.41 | 251.95 | 164.06 | 222.93 | 228.25 | 296.21 | 180.62 | 180.74 |
| World Ex. US (1658) | 167.09 | 0.0 | 168.52 | 109.45 | 149.43 | 135.50 | 0.1 | 1.82 | 167.15 | 168.16 | 109.49 | 148.79 | 135.35 | 172.51 | 142.94 | 143.63 |
| World Ex. UK (1973) | 168.57 | -0.2 | 170.01 | 110.42 | 150.76 | 145.61 | -0.1 | 2.04 | 168.92 | 169.96 | 110.67 | 150.38 | 145.80 | 175.58 | 152.41 | 154.11 |
| World Ex. So. Af. (2118) | 170.23 | -0.3 | 171.68 | 111.50 | 152.24 | 148.98 | -0.2 | 2.21 | 170.75 | 171.80 | 111.86 | 152.01 | 149.18 | 178.58 | 154.65 | 155.97 |
| World Ex. Japan (1709) | 178.66 | -0.7 | 180.38 | 117.15 | 159.95 | 175.99 | -0.5 | 2.65 | 180.03 | 181.14 | 117.95 | 160.27 | 178.90 | 195.20 | 165.70 | 166.95 |
| The World Index (2178) | 170.44 | -0.3 | 171.90 | 111.65 | 152.43 | 149.70 | -0.2 | 2.22 | 170.94 | 172.00 | 111.99 | 152.18 | 150.00 | 178.97 | 154.85 | 156.90 |


Latest prices were unavailable for this edition. Swiss market closed April 18.

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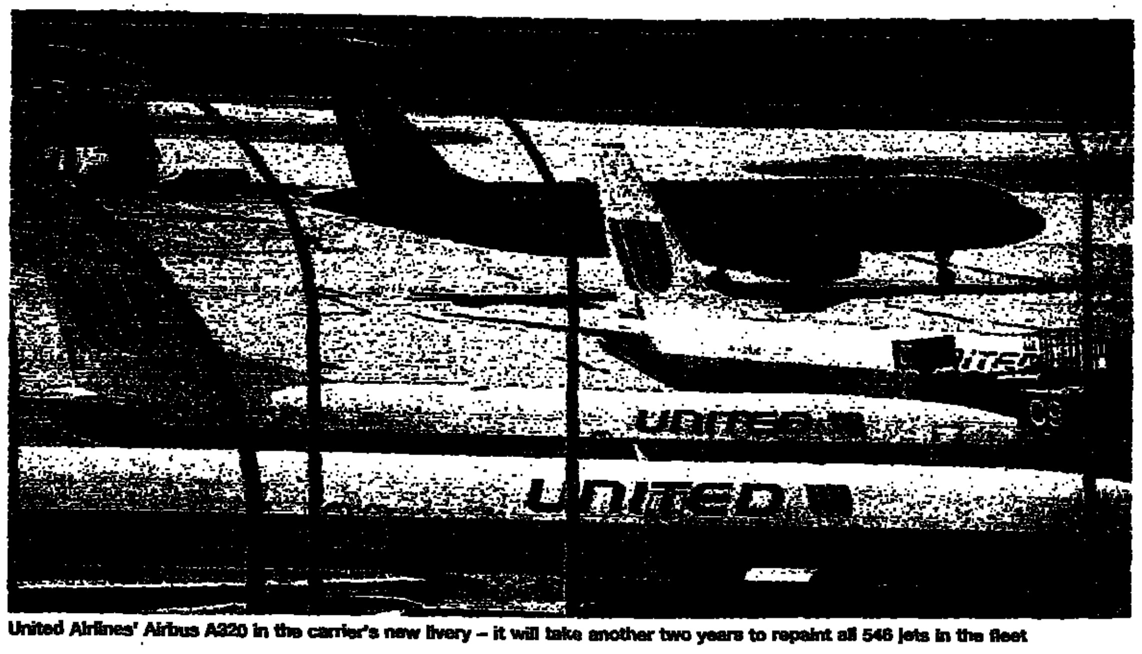
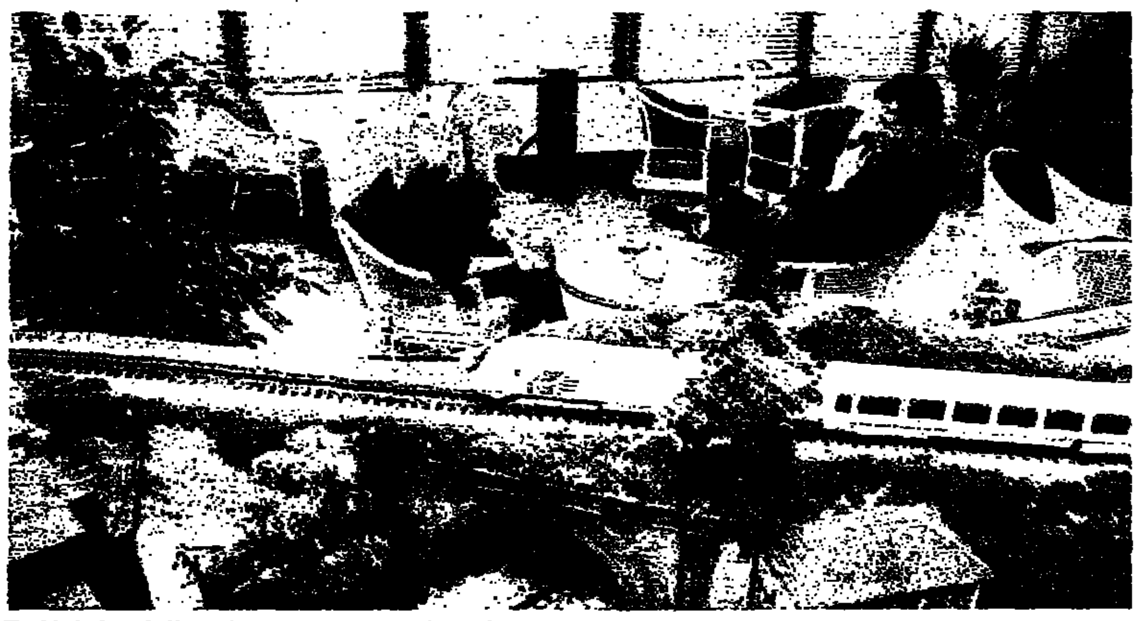
FINANCIAL TIMES SURVEY

# BUSINESS AIR TRAVEL

Wednesday April 20 1994




United Airlines' Airbus A320 in the carrier's new livery – it will take another two years to repaint all 546 jets in the fleet



The Virgin Atlantic Upper Class lounge at London's Heathrow Airport

## The better seats start to get bigger

**Airlines are bowing to pressure from business travellers – usually their most lucrative customers – to make flying more comfortable. Daniel Green reports**

Airlines are at last beginning to give passengers what they want: space. For years, survey after survey has shown that business travellers most appreciate room in which to relax or work. Instead, airlines have plied them with multi-channel television, gourmet meals, vintage wines and little bags with glass jars of moisturisers and eyelid balms.

Now carriers appear to be bowing to the pressure from their customers. In both long and short haul, they are installing wider seats with greater legroom.

To a certain extent, the change is the result of technical changes. Newer aircraft such as the Airbus A320, A340 and Boeing 777 are wider than their older rivals, the Boeings 737, 747 and 767.

But the principal driving force is commercial. The latest round of surveys reinforces the message. The Official Airlines Guide Business Traveller survey shows that sleeping and working, both on long and short-haul flights, rate far higher as "preferred activities" than in-flight entertainment and eating. The annual survey from the International Air Transport Association, (Iata), published this week, shows that in all travel classes, more than three-quarters of business travellers think that seat size is the most important part of being in business class

The reason is simple. Space on long-haul means sleep and the chance to work effectively on arrival. On short-haul, it means being able to make the best use of valuable time away from the telephone in which to catch up on paperwork.

It has taken several years for the airlines to get the message, but now just about every airline is considering the move to bigger seats for premium fare payers. Many have in recent months begun to take concrete steps towards giving the business traveller something in which to sleep rather than slump. The others may not be far behind.

The origins of the movement were humble. Although Scandinavian Airline System was the first major carrier to drop a luxury first class service, in 1982, the idea was really born in 1984 when Virgin Atlantic introduced its Upper Class. This not only eliminated the traditional three classes of travel in favour of two, but gave passengers in the Upper Class first-class sized seats for the price of a business class ticket.

It took eight years for the idea to spread. At the end of 1992, Continental of the US introduced its Business First product for long-haul flight, practically the same idea as Virgin's.

Other airlines held back for another year, arguing that Virgin and Continental were desperate to attract passengers. Then, last year, Belgian carrier Sabena, tried giving business class ticket holders first class seats on its Brussels-New York flights only. And Eva Air, a new Taiwanese carrier, introduced a four-class Boeing 747 which included a similar size of large seat for business class passengers (and incidentally currently holds what is probably the record legroom – called seat pitch in the industry – with its first class seat rows 75 inches apart).

The breakthrough has come in 1994. Last month KLM, the Dutch carrier, and its US partner, Northwest, announced they were co-ordinating the refurbishment of their aircraft with business class seat pitch of 47 inches, compared with the industry standard of 40 inches.

It is not as spectacular a leap as those of Continental and Virgin to 55 inches, but the KLM/Northwest product should make anyone on a long-haul flight anywhere in the northern hemisphere think about switching from the top US, European or Asian airlines.

Perhaps stimulated by KLM/Northwest, the pace of change is quickening. All Nippon Airlines is increasing the business class seat pitch from 40 to 50 inches, saying that 90 per cent of business travellers cite space and comfort near the top of their lists of expectations, second only to safety and reliability. Japan Air Lines quickly countered the move, saying last month that it would introduce similar "super executive seats" on routes between Tokyo and London, Paris and New York.

And in two weeks' time, Air Canada introduces business class seating that owes a lot to Continental's Business First, perhaps stimulated by the fact that it is a shareholder in Continental.

These changes come at some cost to the airlines concerned. With KLM/Northwest there are eight fewer seats on the aircraft, while there has been a loss of more than one fifth of the upper deck seats on some Boeing 747s.

But the trend will continue, according to Mr Richard Lovell, vice president for northern Europe and Asia for Wagons-lits Travel, the French-owned international travel agency. "My prediction for the rest of the 1990s is that the traditional cabin classes will be transformed, so that a superior business class – at business class prices, a full fare economy and a basic economy will replace the current first, business and economy class cabins."

The airlines may be unwilling to give up crowded business class cabins willingly, but they are hard pressed to disagree with the analysis that is leading them in that direction.

American Airlines, on some measures the biggest in the world, has been experimenting with putting business class ticket holders into the first class cabin and moving economy class passengers with full-price tickets into business. The idea is that the carrier can test the idea without first refurbishing its aircraft.

Mr Hans Mirka, vice-president of international routes at American Airlines, says that the experiment is working "exceedingly well. We are going to go through the summer and in fall when business travel really picks up, and if it's a success, you may see more of it."

When the world's biggest airlines get interested, it is a sure sign that an idea's time has come. And airline industry research shows why the stakes are rising.

The air travel recession of the early 1990s, the worst since the second world war, seems to be ending. The latest Iata business travel survey shows that although corporate travellers once again have smaller budgets than the previous year, yet again the decline has slowed.

If the measure is travel rather than budget, the floor has been reached already. Some 21 per cent of respondents to Iata's survey said that they were travelling more than

Continued on Page 2

### IN THIS SURVEY



*Editorial production*
*Gabriel Bowman*

Fares are feeling the pinch as traffic between Europe and Asia reaches a peak, reports **Daniel Green**

# The force of gravity begins to be felt

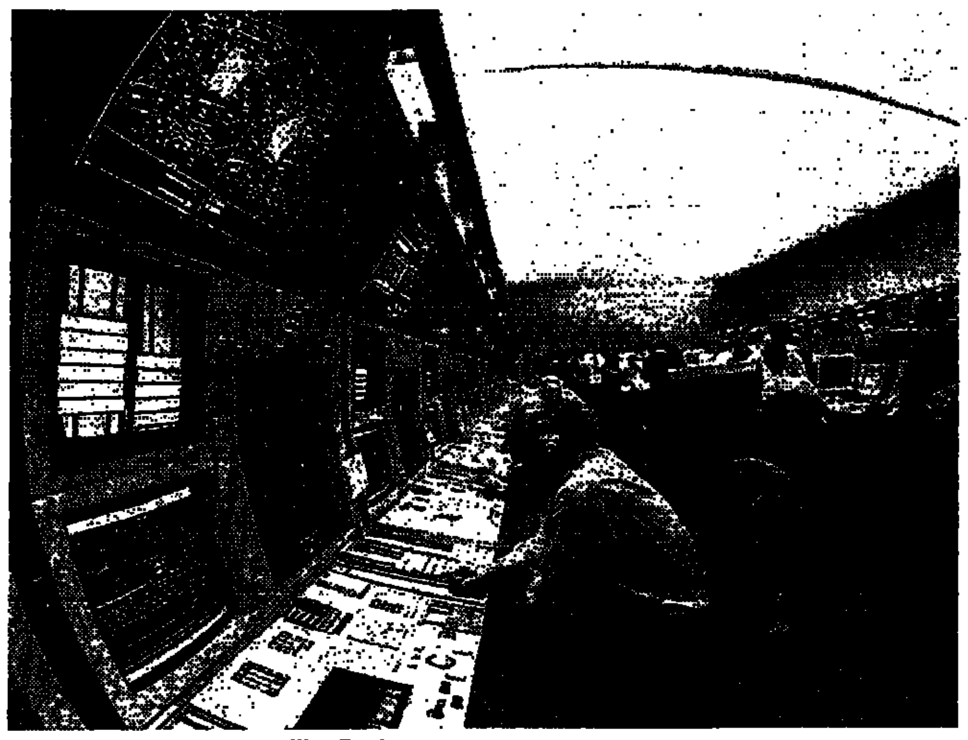
Air links between Europe and Asia are coming of age. For years, they have been the fiefdoms of a handful of carriers whose fares seemed to defy gravity. Now the business of flying east is beginning to succumb to competitive pressures that promise to bring fares down and are already raising service quality.

Traditionally, flying between London and Hong Kong or Frankfurt and Tokyo has meant choosing between the two national carriers involved. Such competition as there was arose from the Asian standards of service - subservient and ever-attentive - which the European carriers felt necessary to counter.

Today, tight limits on competition still apply to some large destinations such as Seoul, South Korea, and Beijing in China. But progressively the others have seen third competitors muscling in. To Singapore it is Qantas, to Hong Kong and Tokyo it is Virgin Atlantic, and to Bangkok there are a whole host of carriers, including Austria's Lauda Air and Taiwan's Eva Air.

There is evidence that the changes are bringing with them a taste of the competition that has so far been mostly confined to north Atlantic routes.

On the London to Tokyo route, where four airlines compete - British Airways, Japan Air Lines, Virgin Atlantic and All Nippon - BA finds itself now the only carrier that offers a standard business-class sized seat. In February, ANA announced that it was refitting its business class cabins with seat rows 50 inches apart instead of 40 and a month later JAL followed suit. Virgin has had its big-seat Upper Class product since 1989.



London air traffic control centre, West Drayton — Ashley Ashwood

Virgin has had a more rapid impact on the London-Hong Kong route. Both British Airways and Hong Kong-based Cathay Pacific have responded to the arrival of Virgin Atlantic on the London service by adding "sleeper services" of their own. The idea is one pioneered by BA on its transatlantic routes and involves feeding passengers on the ground so that they can get more sleep in the air. Passengers also get items such as sheets to sleep in and seats in a specially designated part of the aircraft. These products are not as good as Virgin's, where business class passengers get first class sized seats, but could help prevent some defections to the new competitor.

Such competition has a powerful effect on fares, too. A typical business class return fare between London and Tokyo is about £3,400. Between Zurich and Tokyo, where Japan Air Lines and Swissair are the competitors, the fare is almost 20 per cent higher at about SFr8,400 (£4,000).

It is similar on routes to Singapore from London, where there are three competitors. The business class return fare is about £2,400 while from Paris, where only Singapore Airlines and Air France operate non-stop services, the business class return fare runs to around £3,500.

Competition on routes between Europe and Japan especially is continuing to grow, says Mr David Scowsill, British Airways' regional general manager for Asia-Pacific. "In the last year or two airlines have loaded more capacity on routes to Japan despite the fact that Narita [Tokyo's main international airport] is constrained."

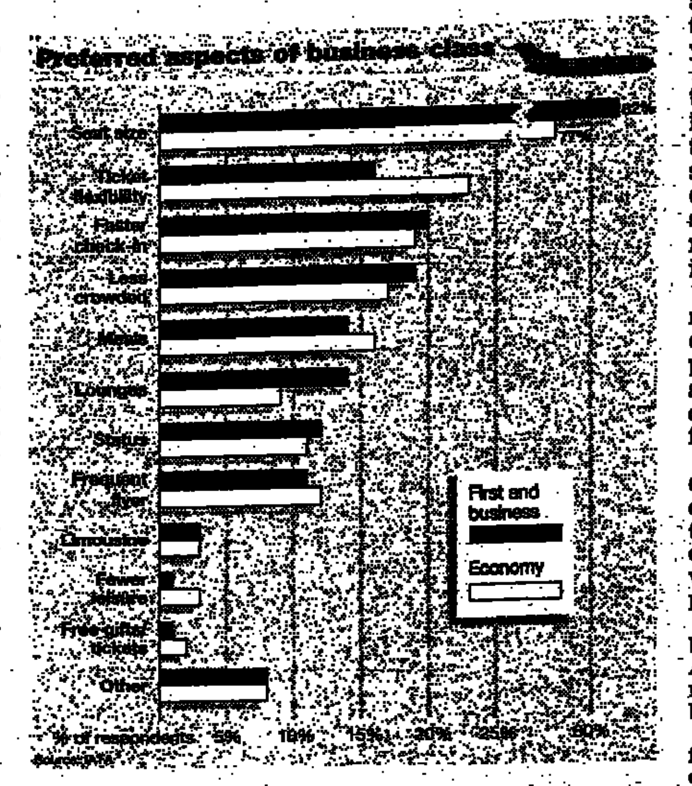
He says that competition will be given another boost this year with the opening of Osaka's Kansai airport in September. This investment in capacity is happening in spite of the economic difficulties in Japan, he says. "Airlines are taking a long-term view."

Even bigger than Japan, both in terms of growth and potential market size is the Chinese market.

"European carriers took about 200,000 passengers into Beijing last year, a rise of about 15 per cent on 1992," says Mr Scowsill. About one in six are on business and that figure will grow this year.

The airlines are keen to put on more services to China but are largely limited to traffic that originates in Europe in spite of the fact there is a growing class of high income Chinese. This is mainly because the Chinese government has a strict visa issuing regime for Chinese nationals wishing to travel and there is no infrastructure of travel agencies in China, making the simple act of buying a ticket difficult.

Add to this the need for long negotiation between European government officials and their Chinese counterparts and this has made it difficult for carriers all over Europe to add services to China. Even today, no airline runs a daily non-stop service between Beijing and London, Paris or Frankfurt.




Of Europe's airlines, it is Germany's Lufthansa that has a valuable head start over other European carriers in services to China because it has the only direct flight (with one stop) to Shanghai.

Other carriers usually go through Hong Kong with a change of aircraft and often airline. So Hong Kong remains the first choice of business traveller working in Europe, although there is plenty of room for growth, according to Cathay Pacific, especially from continental Europe.

Cathay is planning to increase its presence in central Europe where it is practically an unknown name. Mr Jobst Rottman, Cathay's manager of sales and distribution in Germany, says that the airline is still suffering both from its low profile in Germany and from economising by recession-hit German business travellers.

"We think that 20-25 per cent of economy class passengers are travelling on business, twice the level of two or three years ago," says Mr Rottman.

Cathay's response has been to try to feed more passengers into Frankfurt for the journey to Hong Kong. It offers free short-haul flights to business class passengers and last year signed a co-operation agreement with Malev, the Hungarian carrier.

Such an arrangement mirrors what has been happening on the North Atlantic where passengers feed into an ever smaller number of European cities from which the long-haul flights leave.

"There will be more pressure on key points in Europe. Far eastern carriers are beginning to find that secondary points do not warrant non-stop services, they cannot make them pay," says Mr Scowsill.

The solution, according to both BA and many of the Asian carriers, is for aircraft manufacturers to design and build bigger aircraft.

Until this comes about, the fight for customers will be conducted on a relatively mundane level. This is, nevertheless, one that the business class traveller is likely to feel keenly. According to Mr Paul Griffiths, commercial director at Virgin, business travellers in Asia are accustomed to higher levels of service than their counterparts in the US. That does not mean the battle between carriers will be limited to fringe benefits. There will be fare competition too, he says. The gauntlet has been thrown down.

**Paul Taylor** discusses the widening use of passengers' air-ground telephone links

# Office in the sky spreads its wings

The sight of an business traveller using the latest in slimline colour notebook computers no longer attracts much attention from airline cabin crew or fellow passengers.

Some of them will probably also be carrying a shoulder bag or briefcase containing a portable computer, fax-modem, cellular telephone and the associated paraphernalia that makes up the "mobile office".

Advances in technology over the past decade have removed most of the restrictions imposed in the past by heavy hardware and fixed communications links. Today it is possible to make a voice telephone call, send a facsimile message or exchange computer data with the office local area network from virtually anywhere in the world by using cellular radio or satellite telecommunications services.

Soon a second generation of pocket-sized personal digital assistants (PDAs) will be available, adding another dimension to the concept of the mobile office by combining the functions of a pen-based computer and a hand-held telecommunications device.

Meanwhile, the data and voice telecommunications services available to the globe-trotting business traveller are also expanding rapidly and becoming more international. For example, the introduction of digital cellular telephone services across Europe based on the pan-European GSM standard means that travellers will soon be able to use their mobile phone or even more conveniently, their GSM smart card, anywhere in Europe.

Similarly, on both sides of the Atlantic a new breed of dedicated mobile digital packet-switched data networks is springing up to provide portable computer users with high speed, high quality wireless data links.

These terrestrial telecommunications developments are being mirrored in the sky with the introduction of new digital aeronautical telecommunications services in the US and now in Europe and elsewhere.

For the first time they are providing airline passengers with a wide range of high-quality telecommunications and other services such as in-seat shopping, forward bookings, flight information and business news. Credit cards are used to pay for all the services.

The original air-to-ground public telephone services - dubbed "pay phones in the sky" - were introduced by US carriers on their domestic flights in the mid-1980s and were based on analogue VHF radio links. Although call quality often left much to be desired, their growth was nevertheless impressive.

For example, more than 41m calls, including 10.5m in 1993 alone, have been made using GTE's original Airfone system, which was introduced in late 1984, and its more recent digital successor, GTE GenStar. GTE currently has air telephones installed in 2,049 US jets.

The new GenStar system is built around 109 terrestrial base stations which provide a telephone service over the US at $2 a minute.

In addition to enabling passengers to connect their portable computers to send facsimile messages or data, GenStar - which is already in operation in 34 shuttle aircraft - will eventually also provide access to multi-language video, video games, entertainment channels and flight information delivered via seat-back screens or liquid crystal displays.

GenStar's customers include the USAir and Delta shuttles, United Airlines, TWA and Air Canada. GTE plans to have the new service installed on more than 1,400 aircraft by the end of this year.

However, GTE faces fierce competition in the US and elsewhere from Claircom Communications, a joint venture between McCaw Cellular Communications and General Motor's Hughes Network Systems, which holds a 19 per cent stake.

Claircom's AirOne system, launched in 1992 with orders from Alaska, Southwest and Northwest, has also won contracts from American Airlines and from Air France which plans to install the system in up to 80 transcontinental jets. Altogether, Claircom claims that more than 1,500 aircraft are due to be fitted with its AirOne system.

The third competitor in the US digital air telecommunications market is In-Flight Phone, a privately-controlled Illinois-based company. Its FlightLink system has won orders from USAir, America West and Carnival Airlines in the US and with Kuwait and Saudi Arabian Airlines in the Middle East.

Using a credit card to activate a satellite phone on board an Eva Air Boeing 747

Some industry estimates suggest that revenues from digital US terrestrial flight telephone system (TFTS) networks and services will be running at $450m a year by the end of 1995.

All three US digital network operators are linking up their systems with emerging satellite-based telecommunications systems to provide worldwide access.

Satellite-based telephone services have been available on many private jets and on a limited number of long-haul flights for a number of years. However, outside North America public access aircraft telecommunications services have been much slower to develop.

> A pen-based computer combined with a hand-held communications device is on the way

The development of a European terrestrial flight telephone system capable of supporting low cost, high quality telecommunications services in the skies above the region has been delayed by years of debate and wrangling between rival national telephone organisations.

Unlike the competing US systems which all use proprietary technology, the West European TFTS is being built by individual telecommunications organisations but will be based on a common standard.

The telecommunications organisations in the UK and France have already completed their segments of the TFTS network infrastructure and the first ground stations in Sweden and Italy are also operational. The remainder of Europe, including Scandinavia and Germany, will go live by the end of this year.

Two TFTS service providers, Jetphone, a £10m BT-France Telecom joint venture, and Mercury FlightLink, a subsidiary of Mercury Communications set up in partnership with In-Flight Phone of the US, have already been established to resell services on the trans-European network and provide the aircraft equipment.

Like their transatlantic counterparts, both European service providers also plan eventually to offer their customers a wide range of services in addition to basic voice telecommunications.

Jetphone marked its official launch in January by announcing an agreement with Air France to equip the French national carrier's entire short and medium-haul fleet of 110 aircraft. British Airways is also installing Jetphone equipment on 11 Super Shuttle airliners.

Jetphone has set a price of Ecu4.20 ($5.80) a minute for all calls regardless of time of day or destination. Airlines will set prices in their own currencies. Air France has tentatively set its price at FFr30 a minute while British Airways will charge £3.30 a minute.

Meanwhile, Mercury FlightLink, which plans a two-tier call tariff structure - £2 for calls within Europe and £4 for calls to destinations outside the region - is understood to have already signed two service contracts which will be announced shortly and to be negotiating a third.

Although the company is likely to concentrate on being a TFTS service provider, it is also considering building and operating its own network segments in the UK and other countries where competition is being encouraged. Mercury is also bidding for the German TFTS contract.

Mr David Stone, managing director of Jetphone, is predicting that the first commercial calls will be made over the European TFTS "in the next couple of months". Over the next five years he believes 1,000 aircraft in Europe will be fitted with equipment for TFTS services, and that these aircraft will be generating call revenues of £80m a year.

Mr Stone does not expect the TFTS services to compete directly with expensive satellite-based airborne communications services.

For example, calls on Skyphone, the satellite system in which BT is also a shareholder along with Singapore Telecom and Norwegian Telecom, are charged at $9.95 a minute. Instead, he suggests that TFTS-based systems will primarily serve local and regional markets while satellite-based systems will service long-haul flights.



# Better seats get bigger

Continued from Page 1

they were a year earlier. In 1993, the figure was 18 per cent and in 1992 14 per cent. The proportion reporting a decrease in travel, on the other hand, has remained steady at 22 per cent or 23 per cent over the three years.

Increased travelling on smaller budgets suggests that two things are happening: business travellers are taking advantage of cut price deals in the class they are travelling, or they are shifting down a class.

Larger companies have continued to bear down the hardest on budgets and travel, the Iata survey finds. More than one third of the largest companies - those with more than 1,000 employees - reported a fall in air travel. Of companies with fewer than 25 employees, 20 per cent had cut travel budgets, but 17 per cent had increased them, according to the survey.

Differences around the world point both to regional economic vigour and the flexibility of the buyer to find a cut-price deal.

North American companies appear more likely to cut both budgets and travel. It is relatively easy for them to trim travel budgets because domestic US airlines are falling over each other to cut fares and pare down service to the kind of "no-frill" operation run by SouthWest Airlines, one of the most successful in the US in recent years.

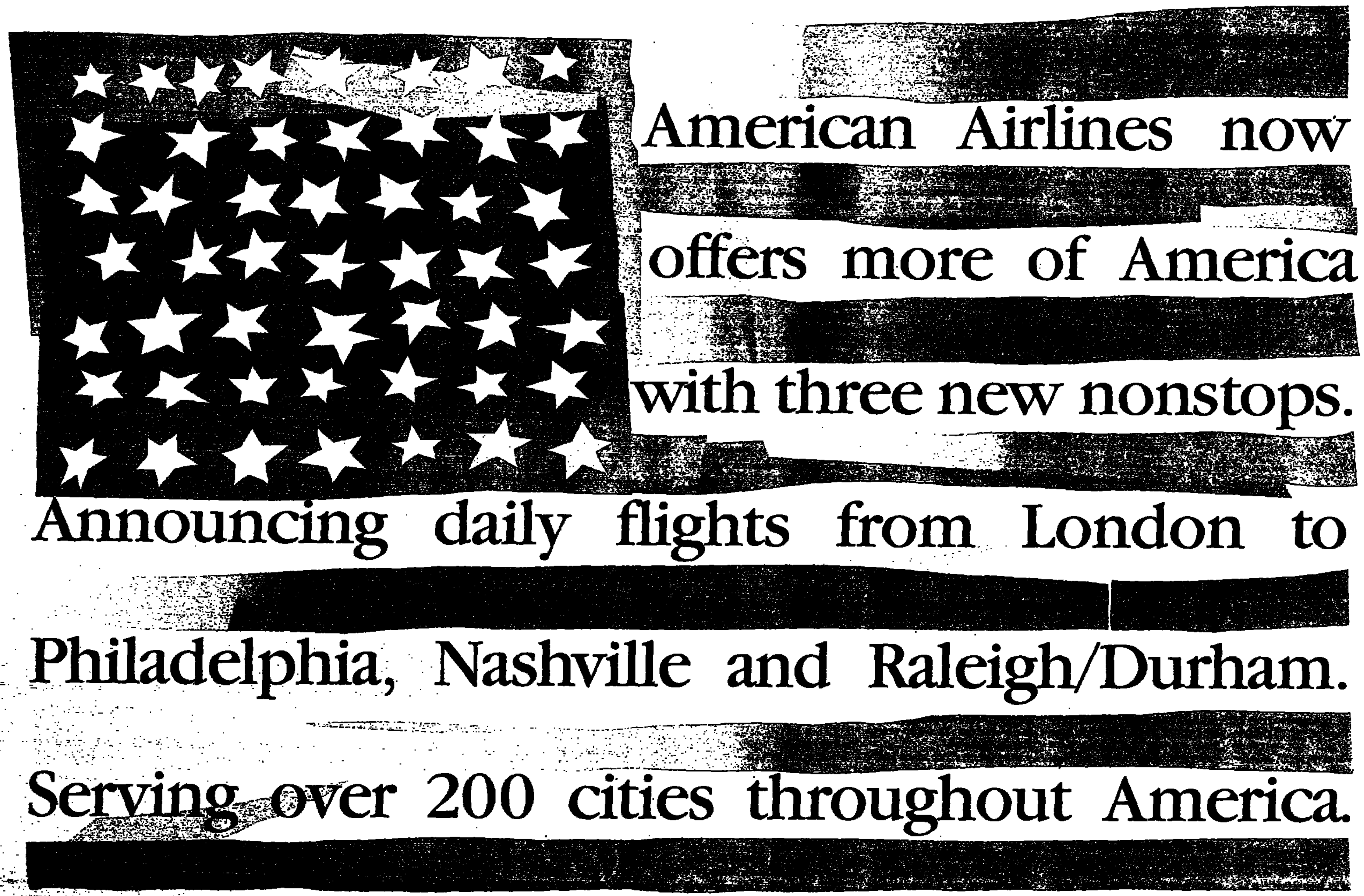
Business air travel in the Asia-Pacific region, on the other hand, is more buoyant. This is not only a factor of the strength of local economies, but of the fact that the kind of cut price wars that have ravaged services in North America are harder to find in Asia. This perhaps helps explain why few carriers there show any inclination to offer super-sized business-class seats.

European business air traffic is characterised by big prices and small seats. Although it is the case that running costs such as air traffic control and airport charges are relatively high, that may be about to change.

Swissair is the last of the European majors to treat its business class passengers well. The seats are 25 inches wide, bigger than many airlines have in first class long-haul flights, making it easy to use a laptop computer without banging elbows with your neighbour.

Swissair may be about to be joined by British Airways. The UK carrier is considering abandoning the standard European short-haul business class service of "economy seat plus a hot meal" in favour of offering more space.

BA is such a powerful force in European business air travel than what it does could be followed quickly by other carriers. The airline could make its move within months, and then, perhaps, business travellers on short trips will finally be able to buy the room to sleep or work that they have been asking for.




Service begins May 27.

Paul Betts, Aerospace Correspondent, on developments in short-haul services

# Low-cost carriers start to make inroads

One of the most striking developments of the past 12 months has been the emergence in the US airline industry of a powerful breed of new low-cost airlines which have made increasing inroads in the traditional market of the big American carriers.

The rise of these new low-cost carriers is the latest chapter in the 12-year-old story of US airline deregulation. Concentrating essentially on shorter and medium-range domestic routes, these new carriers have challenged the dominance of the big airlines, forcing them to take radical restructuring steps ranging from the creation of new low-cost airline subsidiaries to full employee ownership in the case of one of the biggest carriers, United Airlines.

The question for Europe's newly liberalised airline industry is whether a similar pattern will ultimately emerge in the European market. On the surface at least, there are already signs that smaller airlines have taken advantage of the new freedoms of the European Union's single aviation market by extending their range of services to include domestic operations in other EU member states, competing against the big carriers on busy intra-European routes and stimulating fares competition both in the business and leisure markets.

These smaller airlines have also helped develop a more extensive network of regional services, boosting the growth of regional airports throughout Europe. In some cases, this has involved head-on competition against the larger carriers, but in most instances it has led to increasing co-operation between smaller and bigger carriers with the smaller carriers providing passenger feed for the longer haul services of larger airlines.

Large flag carriers, most notably British Airways, have actively developed associated or subsidiary airlines in other EU states as part of their efforts to create a broader European airline network. Apart from setting up a lower cost European airline

**Small carriers have negotiated franchising agreements with larger established airlines**

operation based at London's Gatwick Airport following its takeover of Dan-Air, BA has sought to strengthen its reach in the internal European market through its new Deutsche BA subsidiary in Germany and its large minority stake in TAT, the French regional carrier.

In the same way, Lufthansa has set up a low-cost subsidiary in Germany to serve the domestic market and has taken a stake in Lauda Air of Austria. KLM Royal Dutch Airlines has stakes in Air UK, which has been expanding its short-haul European network from its base at London's Stansted Airport, as well as in the Dutch carrier Transavia, which now operates 10 scheduled routes from Amsterdam.

Another growing trend has been the development of franchising with small carriers negotiating franchising agreements with larger established airlines. One example is the recent franchising agreement between the Irish carrier Cityjet and Virgin, whereby Mr Richard Branson's carrier is providing sales and marketing in the UK for Cityjet's service from London City Airport to Dublin, using BAe 146 aircraft painted in Virgin livery. Virgin has a similar agreement with South-East European Airlines of Greece, which operates a Boeing 737 aircraft on Virgin's behalf between Athens and London's Gatwick Airport.

The emergence of smaller carriers has had an impact on intra-European fares, where standard fares have traditionally been about 30 per cent higher than on equivalent routes in the US deregulated market. British Midland Airways has led the field in bringing down fares on expensive intra-European routes by providing competition from a third carrier on routes previously served by the two flag carriers of each country.

Although the introduction of European "open skies" at the beginning of last year has clearly had tangible benefits for consumers and airline competition, they have been somewhat limited by comparison to the impact of deregulation in the US market.

In a far-reaching report on airline competition in the single European market, the UK's Civil Aviation Authority has warned that any *significant* increase in active competition in the longer term in Europe would occur only if investors felt confident that airlines which are efficient and responsive to their customers would survive and be profitable.

**State aid for financially troubled European flag carriers remains the biggest hurdle**

Unfortunately, substantial obstacles persist for smaller carriers and the new entrants that the EU is seeking to encourage in the market. As the CAA put it: "Given substantial barriers to entry on many routes, the opportunities for competition will be made reality only by positive long-term action going beyond the liberalisation already achieved."

The biggest hurdle remains the issue of state aid for financially troubled European flag carriers. Unless limits are set on the amount of aid granted to financially distressed state-owned airlines for restructuring, there are clearly significant risks of distorting competition and discouraging new entrants into the market.

French government proposals to inject a further FFr20bn into Air France, the loss-making French national carrier, have provoked a wave of concern among smaller carriers as well as larger airlines which have had to restructure themselves and cope with the industry-wide slump on their own.

Mr Jurgen Weber, Lufthansa's chairman, recently warned that state aid was encouraging bankrupt carriers to carry on with overcapacity which in turn put pressure on fares. "Six European carriers are known to have received or applied for state subsidies to an amount of over £4.4bn: BA, KLM and Lufthansa are the exception to this situation," he said.

The other serious obstacle facing smaller airlines and undermining competition is the lack of take-off and landing slots at congested European airports. Unless new regulations are introduced to make more slots available at busy airports for new competitors on European routes, the CAA argues that existing flag carriers will further entrench their dominant position at their main airport bases at the expense of potential new competitors.

■ FREQUENT FLYER PROGRAMMES

# Loyalty gets its reward

Frequent Flyer Programmes, invented in the early 1980s in the US in an effort to create and maintain customer loyalty, have become an invaluable marketing tool used by most airlines.

Most carriers' FFPs work by offering regular passengers "points" or "miles" which can eventually be exchanged for free flights, seat upgrades or other benefits. Membership of an FFP may also entitle the traveller to other benefits such as additional excess baggage allowances, express check-in or the guarantee of a seat when flights are fully booked.

In most cases, the cost of an FFP to the airlines – that of filling seats that would otherwise be empty – is marginal and despite the early misgivings of some airline industry executives, FFPs have proved tremendously popular with travel-hungry airline customers and successful for the airlines themselves.

**In most cases, the cost – that of filling seats that would otherwise be empty – is marginal**

According to Carlson Marketing Group, which has helped design a number of FFPs on both sides of the Atlantic, the 32m frequent flyer members in the US alone have already earned more than 620bn miles' worth of free travel, enough to fill about 590,000 fully-loaded transatlantic Boeing 747 flights.

"Travel, and free travel in particular, appeals to everybody," says Mr David Perkins, managing director of Carlson Marketing in the UK. He believes that part of the reason for the success of FFPs is that travel allowances provide a flexible way to reward loyalty.

From the carriers' perspective FFPs have also proved to be effective in capturing valued business traffic. For example, in a survey conducted last autumn by the Official Airline Guide, 70 per cent of European business travellers said that, given a choice of carriers on a route, they would choose a carrier connected with their FFP.

However, European and Asian carriers in particular are relatively recent converts to the FFP. Airlines outside North America initially viewed the birth and subsequent rapid growth of FFPs during the 1980s with a mixture of disapproval and trepidation. In the last few years these concerns have subsided and most airlines outside the North American market have bowed to commercial pressures and now operate or belong to an FFP.

In Europe British Airways launched its frequent flyer scheme in May 1991 and all the other main European airlines have subsequently followed suit with their own programmes, or have joined existing programmes run by their marketing partners. Though European and Asian carriers were late entrants to the FFP game, they have learned from the US experience. In particular, unlike their US counterparts, they have generally limited their FFPs to business travellers and changed the rules to limit the give-aways.

The objective of an FFP for any airline is to attract the regular business passenger, not the price-sensitive leisure traveller who perhaps flies once a year. Thus, while US carriers and other airlines which compete in the US market have been forced by cut-throat competition into using the schemes to compete even for discount ticket sales, in Europe and elsewhere FFPs generally exclude discount fares.

Similarly, late arrivals in the FFP business such as BA, Air France and Lufthansa have also improved on the US experience by imposing time limits on cashing in accumulated points. This once again favours frequent travellers, who fly often enough to earn free flights quickly, and enables the airline to control the flow of free seats and minimise its future seat liabilities.

Airlines have also discovered another key reason for operating or belonging to a frequent flyer programme – customer information. Less than 15 per cent of travellers book their tickets directly with an airline, the remaining 85 per cent booking through a third party such as a travel agent, depriving the airline of any means to capture valuable information about its customers.

By using the often detailed information generated by an FFP, airlines argue that they can target-focus their marketing efforts more accurately as well as serve their customer base more effectively.

In Europe Carlson Marketing has built FFP computer relational databases for SAS of Scandinavia, Swissair and Austrian Airlines. FFP databases allow airlines to find out who their passengers are and their patterns of travel. They can then use direct mail to send sales and marketing information to particular groups of customers. "Customer knowledge can be a competitive advantage," says Mr Perkins.

Crucially, Carlson argues that loyalty marketing is much more cost-effective than most broad scale advertising. As Lord Leverhulme once said: "Fifty per cent of my advertising is wasted, the trouble is I don't know which 50 per cent."

Detailed *customer information* has enabled some airlines to operate several tiers of frequent flyer membership – depending on a passenger's spending pattern. British Airways, for example, now has four levels of frequent flyer membership with varying levels of benefits.

Smaller airlines can also make good use of FFP information, but naturally suffer from having a much smaller database to start with. One increasingly popular solution is the cross-airline allegiance. For example, Mr Richard Branson's Virgin Atlantic has extended its Virgin Freeway FFP to include British Midland, SAS and Air New Zealand. Similarly, Singapore Air Lines, Swissair and Delta of the US have linked their FFPs across three continents.

Another distinct trend is the broadening of FFPs to include hotel chains, car rental groups and other companies, for example credit card issuers. These cross-company links enable airlines, big and small, to expand the scope and attractiveness of their FFPs.

**Some US airlines blame low passenger yields on FFP members exercising rights to free seats**

Armed with such linkages, FFPs have conquered the travel and leisure industry in little more than a decade. There are, however, still a number of unresolved issues.

Although more recent FFP conditions have been tightened, US airline executives in particular acknowledge that *accounting standards bodies* are questioning whether the financial liability of FFPs should be included in company accounts as a contingent liability and some US airlines have already blamed low passenger yields on FFP members exercising their rights to free seats.

Tax authorities on both sides of the Atlantic are also looking at the value of the give-aways for both the airlines and their customers. Any move to tax FFP benefits could seriously affect their attractiveness. In addition, companies, which are already scrutinising their travel budgets closely, may press for better fare deals rather than racking-up frequent flyer points for their staff.

Some critics have expressed the hope that once all airlines have FFPs, their usefulness to distinguish one airline from another – and therefore their value as a marketing tool – will diminish. So far, however, there is no sign of that happening. Indeed, it has become increasingly difficult to imagine an airline industry without *frequent flyer programmes*.

**Paul Taylor**

Gourmet dining aboard United Airlines' First Class

Economic downturn has accelerated a trend

# The death knell may sound for first class

The skies are darkening for first-class air travel. Dutch carrier KLM and Northwest Airlines of the US have become the latest airlines to abolish first class cabins in favour of upgraded business ones on long-haul flights.

Flagging customer demand, prompted in part by the economic downturn but also by the upgraded facilities being introduced in the business class sector, have led nearly all the international airlines to review their first class operations in the past two years. Not all that many have survived.

Luxury travel has been increasingly passed over by cost-conscious travellers, with many big companies ordering their staff to book cheaper seats as the recession has taken hold. The empty rows in first class have prompted many airlines to create a middle class, and within that tier further differentiation, by refurbishing their existing business facilities.

The effect has been a downward ratchet with many former first class travellers unlikely to return, and a generation of prospective customers satisfied in the cheaper business tier. For many airlines, a 5 per cent full paying passenger load has become the norm in first class, with the remaining seats filled by travelling airline crew or by upgrading business class passengers.

With the quality gap closing between the middle and top tiers, the hefty chasm between the respective fares looks all the more glaring. A first class ticket between Chicago and Glasgow will cost in the region of £4,500, whereas a business class fare comes in at around £2,500, with economy at about £900.

However, the move away from first class travel is not simply a recent one. The recession has accentuated a trend begun in the 1980s when attempts to identify business travellers through a new range of branded products began to pay dividend for airlines. As the range of brands proliferated, so too did the fragmentation of the market, with first class pushed into an ever smaller niche.

The first casualty were short-haul flights, with passengers rejecting the luxuries and cost of first class for regional journeys. Last year, Swissair became the last of the big airlines to offer a cheaper alternative to its short-haul first class travel.

But it was the recession which sounded the death knell for first class. With airlines plunging into losses throughout the world, the luxury services proved the most costly to keep running and consequently the ones to receive the severest cuts.

"There was hardly any demand," says KLM. "Business travellers want the luxu*ries of first class but at a busi*ness class fare. That's what we're going to give them."

KLM and its US partner Northwest Airlines are abolishing their first class tier and will offer passengers a choice between economy and a premium service called world business class, an upgraded version of the old business class service. The main feature of the new service will be increased leg room. The only airlines offering more room to business class passengers will be those that have already abolished first class travel – Virgin Atlantic of the UK and Continental Airlines of the US.

British Airways is one of the few airlines to maintain a significant presence in first class, although ironically it was the first to close down its short-haul capacity. Mr Mike Batt, BA's marketing director, believes the problem for most airlines is three-fold.

"An airline has to maintain a good load factor to make first class economical, and for that it needs a good route network. Few airlines have got the presence.

"Secondly, you need a strong branded product which customers can trust for integrity and consistency. And most of all, you have to be able to deliver that product." For BA, integrity means few upgrades from business class. "Upgrading devalues the product," says Mr Batt.

So what do customers get for first class not available on other airlines' premium brands? The lines of differentiation are getting increasingly blurred. Executive lounges, extended leg room, wider chairs and personal video are all offered in different measure by the premium services – and at a cheaper price.

Mr Batt admits that first class is matched in many regards by other premium services, but argues that the "total travel experience" offered by the doyen of air services is worth the extra expense.

"The first class traveller is someone who, because he is travelling a lot, needs more than anyone to relax while he is doing it. If we can deliver a busy executive overnight to a meeting the next day in a refreshed and healthy state ready to do business, then first class travel is a wholly justifiable business expense."

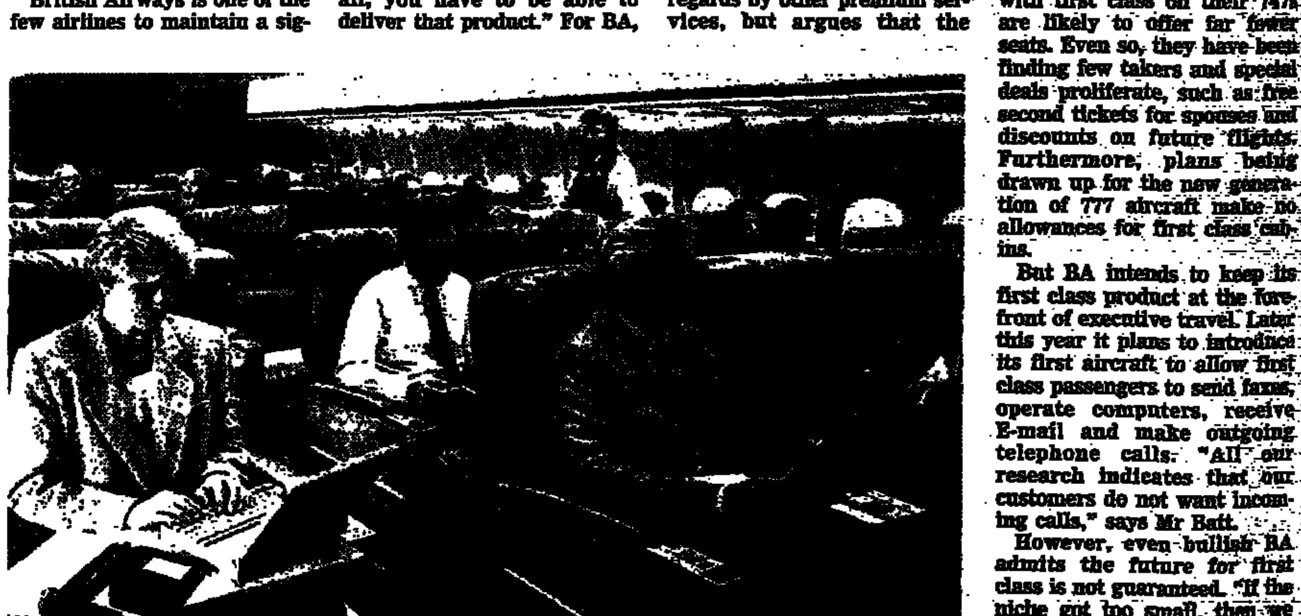
First class makes up around 4 per cent of British Airways' revenue. And Mr Batt believes that the move by other airlines away from the brand will draw other passengers over to BA. "There is a small but significant band of regular travellers who are loyal to first class and do not want to fly anything else."

A typical BA 747 will contain around 300 economy class seats, 72-88 club class and 18 or so first class. Other airlines with first class on their 747s are likely to offer far fewer seats. Even so, they have been finding few takers and special deals proliferate, such as free second tickets for spouses and discounts on future flights. Furthermore, plans being drawn up for the new generation of 777 aircraft make no allowances for first class cabins.

But BA intends to keep its first class product at the forefront of executive travel. Later this year it plans to introduce its first aircraft to allow first class passengers to send faxes, operate computers, receive E-mail and make outgoing telephone calls. "All our research indicates that our customers do not want incoming calls," says Mr Batt.

However, even bullish BA admits the future for first class is not guaranteed. "If the niche got too small, then we would have to look at our options," says Mr Batt. "You have to be responsive and we will change with the market."

**Christopher Price**



American Airlines Business Class provides plenty of room for those who need to work on board

هكذا من الأهل



**Paul Abrahams** on the success story of Asia's airlines

# China is fastest growing market

*Asia's airlines are the* envy of the rest of the world – and the jealousy is justified. Customers *might think the* cause of that emotion is the carriers' unparalleled reputation for service. That may be one partial reason, but the main explanation is their commercial performance in the past and their prospects for the future, given the likelihood of continued rapid growth of their highly profitable short-haul routes.

That does not mean the region is without its problems, but they are trivial compared with those confronting European and US carriers.

Over the last four years, while the rest of the aviation industry has been struggling with overcapacity, weak yields, and patchy economic growth, airlines based in the south-east Asia have enjoyed phenomenal passenger volume growth in the regional market. This has averaged between 10 and 12 per cent since 1989. Last year, growth in south-east Asia was 9 per cent, outpaced only by the former eastern bloc in Europe which averaged 10 per cent, but from a much lower base.

Not surprisingly, four out of five of the most profitable carriers in 1992 were from south-east Asia. According to Air Transport World, the top five were SIA, Cathay Pacific, British Airways, Thai International and China Airlines.

Admittedly, in recent months some airlines, such as the Thai and Malaysian flag carriers, have suffered declines in earnings because of intense competition on long-haul routes and rising costs. The Japanese carriers, Japan Airlines and All Nippon Airways have also announced restructuring plans.

**Asian airlines complain that US carriers are making use of outdated bilateral agreements**

But in spite of such problems, prospects remain bright. "It's widely known that the Asian market is the most lucrative and attractive in the world. And it will be the fastest growing into the next century," says Mr Koji Yamashita, vice president, international sales and marketing at ANA.

"We're assuming the market will average growth at about 8 per cent between now and the year 2010," says Mr David Turnbull, deputy managing director at Cathay Pacific. "That's very much greater than the US or Europe, which are expected to grow by an average of 4 to 5.5 per cent a year."

The cornerstone of the Asian carriers' profitability is their short-haul routes. "Compared with the US and Europe, the fare structure is very stable, making yields pretty healthy," says Mr Yamashita.

Unlike Europe, where most money during the 1980s was made from business class passengers, in the Asian market it is the back section or tourist class which is the most profitable part of the jet, according to Mr Turnbull.

Cathay Pacific is dropping first class on its short-haul routes because of its high cost and questionable return, he says. "Our primary revenue comes from economy class in the Asia-Pacific region and that is our main focus," he adds.

Admittedly, not all Asian airlines find their short-haul routes so profitable. The Japanese carriers, plagued by the longest and deepest recession since the second world war as well as an extraordinarily high cost base, have been suffering badly in recent years. JAL, for example, is understood not to make any money on its Asian short-haul routes except those to China.

The Japanese carriers' yields on Asian regional routes are clearly inadequate. This is partly because Japanese customers have been using the carriers' plight to snap up discount fares. At JAL, the yield management system is being upgraded following a catastrophe last year when seats were still available at the beginning of Golden Week, normally its most profitable period.

JAL hopes the slump may be ending. In February, the airline registered a 20 per cent increase in passenger traffic compared with an admittedly subdued February last year.

Some Asian regional routes are growing faster than others. "The Philippines and Indonesia are doing well, and Korea and Taiwan are very buoyant. We're very bullish," says Mr Turnbull at Cathay Pacific.

Vietnam is an obvious new destination for both business and tourism, he adds.

But for the rest of the century the most alluring market is China. Passenger volumes have boomed over the last four years, making China the fastest growing single market in the world, according to Mr Turnbull.

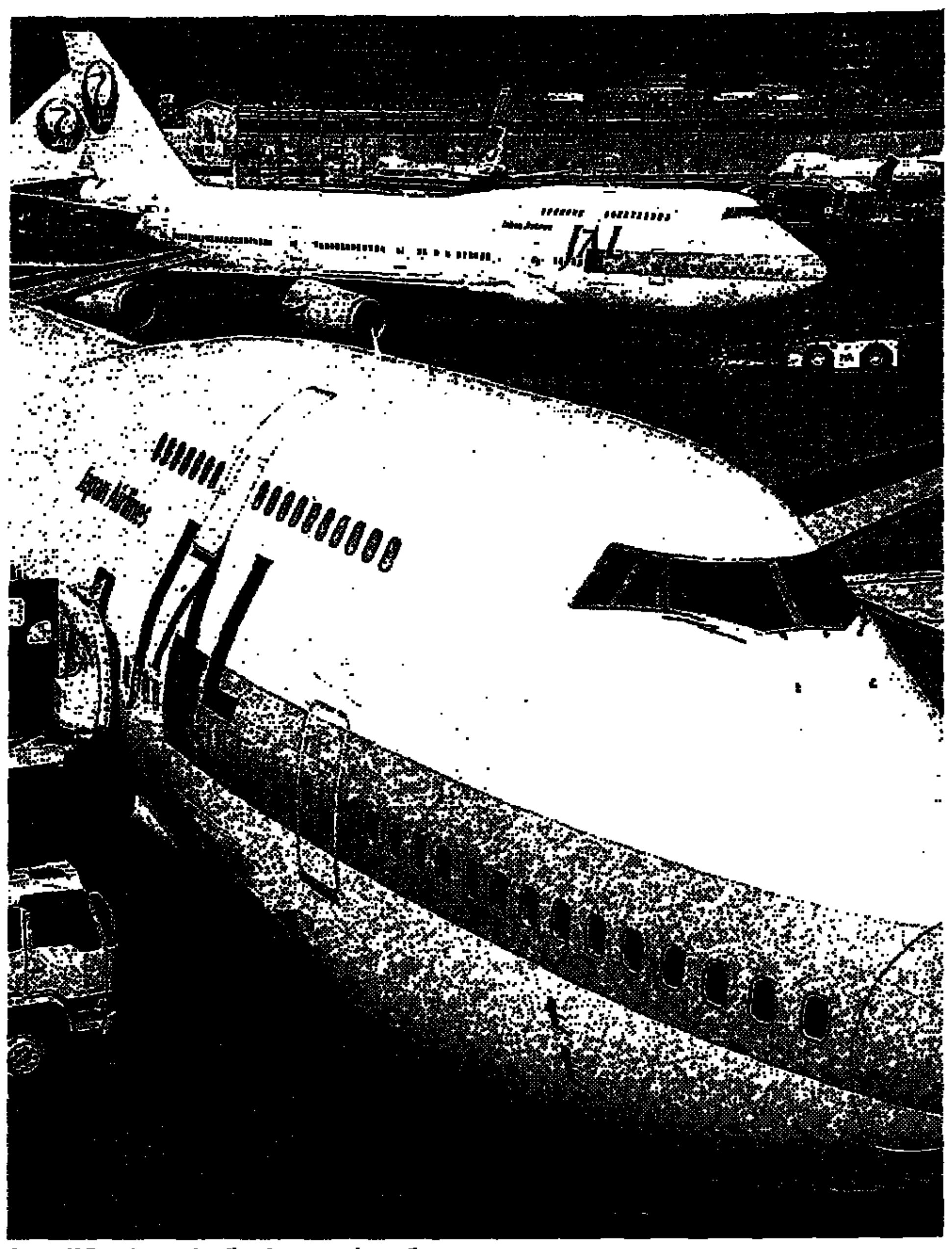
The rapid expansion of the Chinese market has been matched by profits growth on routes to that country. "This is a tightly regulated market," says Mr Yamashita at ANA. "The Chinese still control frequencies and fares structures and that helps keep yields high." He expresses concern about US carriers, however. United Airlines has just started a daily service from Tokyo's Narita Airport to Shanghai using its fifth freedom rights.

Indeed, one of the most important irritants in this market, according to Asian airlines, is the behaviour of US carriers. "What is of concern to us and other regional carriers is the way US groups are making use of outdated bilateral agreements," says JAL. "*They're spoiling the market* by dumping seats in Asia."

Another irritant is the birth *of secondary Asian carriers.* South Korea, Singapore, Malaysia, Thailand and Hong Kong *all have fledgling* secondary airlines that could introduce greater competition and undermine margins in the region.

However, Mr Turnbull at Cathay Pacific is dismissive of this threat. He points out that many countries would have to renegotiate bilateral agreements if they were to allow secondary carriers to land, and that the chronic shortage of landing slots at Asian airports would hold back secondary carriers for some time anyway.

This drought of landing slots is the main barrier to the future growth of the region's airline industry. "Tokyo's Nar*ita Airport is already full, as is* Hong Kong's," says Mr Turnbull. "Tremendous investment will be required in the region. Hong Kong's new airport, Chek Lap Kok, is due to be completed in mid-1997 and is the single largest civil engineering project in the world," he adds.



Japan Airlines hopes that the slump may be ending

A battle is raging between Hong Kong, Shanghai, Taiwan and Seoul to become the regional hub of north-east Asia. Mr Yamashita discounts the chances of the new Kansai airport near Osaka which is due to open this autumn. It has only one runway, and although there are plans for another two the cost – an estimated \$15bn *– is likely to be prohibitive.*

The winner would need a minimum of two and probably three runways to avoid slot restrictions, according to Mr Yamashita. "There will be only one dominant hub in the region. The others will complement it," he says.

One way around the infrastructure problems is to use more local airports. This has been an option adopted by the Korean carriers which fly to 17 cities in Japan. Passenger volumes and yields on these routes have been high, especially since the two countries dropped visa requirements. JAL says the Koreans' move to *local airports* has slowed the growth of its traffic from Tokyo to Seoul.

Nevertheless, most Asian carriers plan to expand their routes network in the region. ANA's main priority is to target Asian cities, while Cathay Pacific expects most of its growth to take place in the Asia-Pacific region.

For its part, SIA plans to increase its capacity by about 8 per cent a year until the end of the decade, says Mr Michael Tan, deputy commercial managing director. The airline intends to increase capacity to Europe by only 5 per cent a year, but some Asian routes *could be boosted* by up to 15 per cent.

The carrier has pinpointed *India* and *China as particular* targets. "Anyone who is situated in Asia at this moment would be extremely foolish not to recognise the opportunities," Mr Tan says.

London City Airport: only 20 minutes from the West End

**Paul Taylor** looks at the benefits – and the drawbacks

# City airports are just the ticket

As the main airport hubs become more crowded, a niche market has opened up for city centre airports such as London City and Berlin which cater mainly for the business traveller. The growing importance of these "close-in" airports is underlined by the above-average passenger growth which they are achieving in Europe despite the recession.

For example, about 500,000 passengers used Florence's Peretola Airport in 1993, up from just over 100,000 four years ago, while passenger traffic at Belfast City Airport has increased from 546,000 in 1991 to 880,000 last year. Meanwhile, London City Airport in Docklands handled more than 245,000 passengers last year, a 31.5 per cent increase over 1992's total. The *surge* in passenger traffic appears to be continuing.

The extension of its runway *to 1,199 metres* in 1992, the opening of the Limehouse link road into London and the improvement *in reliability of* the Docklands Light Railway have all helped London's newest airport. *So far this year,* passenger traffic at London City Airport is running 92 per cent ahead of *last* year, well ahead of a budgeted 60 per cent increase.

*Mr William Charnock, London* City's managing director, says the airport is doing "tremendously well" and should comfortably pass the 400,000 passenger mark this year. With that level of passenger traffic the airport, which was *developed* by and is majority-owned by Mowlem, the construction group, should break even *this* year for the first time since it opened in 1987.

Such passenger growth suggests that some of the advantages offered by city airports are *finally* being recognised. Among these advantages are the substantial savings in time *(and stress) which* they offer the business traveller because they are usually more conveniently located for business meetings, and because formalities such as check-in have been kept to a minimum.

For example, both London *City Airport* and *Berlin's Tem*pelhof Airport are much closer to the business districts in their respective cities than either Heathrow or Tegel. London *City Airport is only* six miles from the City and an undisputed 15 minutes by road from the City financial district and 20 *minutes* from the West End, thanks to the opening last year of the Limehouse Link.

In addition, city airports are smaller and less congested than their much larger counterparts. Parking is directly outside the London City Airport terminal building, check-in time is 10 minutes before the flight compared with the 30 to 60 minutes demanded by most airports and for incoming passengers it usually only takes five minutes to reclaim baggage and clear customs from the time the aircraft touches the runway.

**Regulations to protect the environment reduce the number of aircraft that can use the airports**

Despite these advantages, some city airports have also *suffered* from a number of perceived drawbacks including restrictions imposed because *of environmental* concerns and a lack of comprehensive flight scheduling. Regulations such *as restricted operating hours* and specialist requirements – such as the steep 5.5 degree approach at London City – have been imposed to protect the environment but reduce the number and type of aircraft that can use the airports.

*As* a result of these limitations, most large airlines have avoided the city airports, leaving them to smaller or niche airlines which operate less frequently and to fewer destinations than their larger competitors. Even among the smaller operators there has been considerable "churn". For example, at London City British *Midland, one of the pioneers,* pulled out in 1991 after losing £10m and Brymon, the first airline ever to use London City, halted its operations *there in March last year.*

Nevertheless, the economic arguments in favour of using *city airports* are *steadily* improving – particularly as delays, both in the sky and on the ground, become more commonplace at the large hubs.

*At London City early operators* had to put up with the restrictions imposed by a short runway which meant that only small turboprop aircraft, such as the Dornier 228 and the De Havilland Dash-7, with seating for up to 30 passengers could use the airport.

The lengthening of the runway in 1992 opened the airport up to a new family of regional jets including the 90-seater BAe 146 which has a range of up to 1,000 miles, putting 95 per cent of the European Union as well as Scandinavia and eastern Europe within reach.

As a result, London has recently been attracting new carriers, and gradually building its list of short-haul destinations. Last year VLM, the Belgian airline, began new services from London City to Antwerp and Business Air launched flights to Frankfurt which connect with Lufthansa's international network.

Since the start of this year, VLM has become the first air*line to take advantage of* domestic deregulation to operate a service between Liverpool and London City, and Virgin Cityjet has launched a new service from Dublin to London City which ties in with Contiflug's flights from London City *to Berlin Tempelhof.* Meanwhile, Air France operates eight flights a day to Paris, Sabena runs flights to Brussels, Flexair serves Rotterdam and Crossair flies to Zurich/Lugano.

With new routes and improved passenger yields has come a renewed confidence in the concept of city airports. As Mr Charnock notes, "nothing breeds traffic like traffic". He *suggests that London City* represents a role model for the future of air travel – a future which he believes lies in central airport locations, easing airport congestion, reducing waiting time and offering a stress-free environment.

Since its inception in February last year Mr Charnock has also been chairman of the Conference of City Airports which initially grouped together London City, Stockholm Bromma, Berlin Tempelhof, Belfast City and Toronto Island and has since been expanded to include Florence, Edmonton (Alberta) and Tel Aviv.

These eight city airports share three common features – they are used "preferentially for scheduled air carriers and corporate traffic", they practise "efficient environmental technology and operational procedures to the mutual benefit of the community and the airport" and they are "located within and serving the city business community".

The conference members have held four or five meetings so far, each concentrating on a single issue of collective interest. The next meeting in Toronto next month will focus on relationships with the airlines.

"I suppose city airports share a threat from environmentalists," says Mr Charnock, but he adds: "We faced up to that threat at public *inquiries." He insists that sub*sequent events have proved that the airport "is not a threat to the quality of life". London City Airport, he says, "gets very few noise complaints".

As a result he believes other *city airports,* particularly those which still face environmental challenges to their very existence or development, can learn from London's experience. "We want to show people that city airports, properly operated and managed, can be friendly neighbours and an enormous asset to local businesses."

**Kate Bevan** compares the different standards of ground service

# Comfort is very variable

It's 3am and you're in Bangkok. It's dark, you've just stepped off an aeroplane from Sydney and you'll be getting back on it soon to continue to London. You couldn't care less that it's Bangkok, all you want is a cup of coffee and to stretch your legs.

If you're travelling economy, the best you can hope for is an uncomfortable seat in the transit lounge, but if you're travelling at the front end of the aircraft, you can at least while away the refuelling stop in an airline lounge.

Or it's lunchtime in London and your flight to New York has been delayed. You could wander through the shops at Heathrow's Terminal Three, but they're mobbed. However, your business or first class ticket is a key to the airline lounge, away from the noisy families, backpackers and other economy travellers.

These two scenarios should end up in much the same way – the comfort of a quiet lounge. However, the lounges you find yourself in may be quite different. If your delayed flight from Heathrow is with Virgin Atlantic, you can play with a train set or get your hair cut in the airline's comfortable Clubhouse. But if you're in Bangkok with Qantas, you will find yourself in a nondescript room equipped with a few sofas, newspapers and drinks . Most, if not all, of the sofas are likely to be occupied by stretched-out, sleeping travellers.

If you're passing through Taipei on a British Airways flight, your expensive ticket gives you just a sofa in a room by the public canteen, while Virgin's lounge at Boston does not have private toilets – the cossetting ends abruptly when you queue with everyone else for the facilities by the check-in desks.

The rule of thumb is that an airline's business class lounge is usually pretty good at its home airport or a major base such as Heathrow, but away from home the facilities can be less than luxurious.

Airlines are all keen to talk about the product they offer on the ground, and equally keen to spend money on it. They point out that it is the full-fare business and first-class traveller that keeps them aloft, not the hordes travelling in economy, and they say that nothing is too good for those passengers.

With some airlines, the treatment starts the moment you lock your front door behind you. Virgin will whisk you in a chauffeur-driven limousine to Heathrow from anywhere in the home counties, or provide you with first-class tickets for the Gatwick Express train. Continental, the US airline, will also provide chauffeur-driven luxury or first-class Gatwick Express tickets. It also offers a free night at the Gatwick Hilton the night before.

It sounds good, but of course, once you're in the car or at the hotel you're as good as on the flight – and unlikely to switch to another carrier.

Larger carriers say they cannot offer such door-to-door services, but they arrange other perks. *For example, United*, the largest US carrier, offers a discounted rate for parking at Heathrow.

The aim is to cut the amount of time the business or first class passenger spends on the ground. This, say the airlines, is one of the main priorities for these passengers, and to this end most have separate check-in facilities to cut the queues. Carri-

**Virgin Atlantic says that it did not deliberately set out to make its Gatwick lounge masculine**

ers to the US encourage regular business and first class passengers to join the Inspass programme so that progressing through US customs and immigration procedures is reduced to simply having their palm scanned. Both Heathrow and Gatwick airports at London have introduced a fast-track system for some airlines' business and first-class passengers which again bypasses the queues.

In spite of this, airlines still advise arriving at the airport up to two hours before a flight, but most privately admit that the time margin can be pushed quite substantially before a first or business class passenger is denied permission to board. One carrier said it would probably get a passenger on an aircraft even if he or she arrived with just 12 minutes before departure – but added that this kind of tardiness was not encouraged.

Once you are airside, you can go straight past the crowds at the shops and relax in a quiet lounge. Most are fairly straightforward: drinks and snacks and a comfortable seat as well as access to business facilities such as telephones, faxes and computers.

However, women travellers may feel slightly out of place in these lounges as they tend to have overwhelmingly masculine decor such as leather seats and wood panelling, and are still generally full of men. Often the only women to be seen are the airline's staff. Virgin's lounge at Heathrow is stuffed full of boys' toys: it boasts a train set, a video games arcade and a soundproof music room with a state-of-the-art stereo, although Virgin, like other carriers, says it does not deliberately set out to make lounges masculine. Virgin points to its hairdressing and beauty therapy facilities where travellers can attend *to their* appearance, and its conservatory – due to open in the summer – where aircaft-spotters can watch from a plant-filled haven.

Away from its home base, an airline may share facilities with other carriers. BA is due to open a new lounge at Hong Kong's Kai Tak airport which it will share with Qantas, the Australian carrier. Virgin shares facilities with United at Hong Kong and Tokyo's Narita, while its passengers at Gatwick and Miami use the airport's own lounge.

But what about when you arrive at the *other end*? The pampering ends with an abrupt shock when you find yourself in the baggage reclaim hall not only with everyone else on your flight but also with a couple of other jumbo-loads all fighting to get their bags. Priority baggage reclaim is one way to ease this shock, and most carriers make a point of getting first and business-class luggage off the aircraft as quickly as possible and ahead of the economy passengers' luggage.

Another way is to provide arrival facilities, and in this BA is leading the way at its home base, Heathrow Terminal Four, with its recently opened arrivals lounge. This has shower facilities and a valeting service so arriving passengers can go on to the office clean and freshly pressed. Passengers who have chosen to sleep through breakfast on the flight can eat on the ground instead at the arrivals lounge, while those who still want some sleep can snooze in the quiet area. For those arriving at Gatwick, there are similar facilities at a nearby hotel, a service also offered by Virgin.

But does all this really make a difference to the regular traveller? According to one US businessman, "I don't care which airline *I fly*. The *timing of the flights* is much more important. I just want to get to my destination at a convenient time and on time."

London Heathrow's Terminal 4 — *Tony Andrews*

**Christine Buckley** explains the useful art of upgrading your seat

# The economics of persuasion

Your mission, should you choose to accept it – and let me tell you that your recession-hit company says you have no choice – is to prepare for a meeting in an economy-class airline seat.

You must be able to maintain keen concentration and execute your work when all about you is chaos and acute confinement.

A fine sense of balance will be essential if you are to keep a few papers on the tiny table in front of you. Skills of contortion will come to the fore as writing – or heaven forbid, working on a portable – will challenge any theory of ergonomics. Unless you are very lucky, you will not have secured an aisle seat.

All around you will be the frivolous noise of holiday travellers. At frequent intervals with no notice, a few particularly excitable children will run your way.

And those are only the tasters of your obstacles. If your concentration manages to remain reasonably intact against these odds, you will also have to cope with the sudden feeding of the 5,000 when those trays come round. After that will come the loud and punchy Pearl and Dean style productions of the duty-free films closely followed by the clatter of the duty-free trolleys.

Sounds unreasonable? Corporate economising on air travel can indeed be tough on the travelling executive.

So, what are you going to do about it? Where is your initiative? What strategy will free you from this business travel into hell?

Well, Passenger X, it won't help to hear this but you should have instigated action before you left terra firma. Have you never heard of upgrades?

*Economy class need not necessarily* be a one-way ticket, although obviously airlines are reluctant to bump a passenger into a higher standard seat just because he or she has the effrontery to ask for it.

You must also be braced to fight off a good number of rivals who are also seeking salvation from their allotted economy class. The recession has obliged many executives to turn right when they enter an aircraft – the way to economy.

A survey last year by American Express showed that only 14.9 per cent of UK companies allowed all staff to travel business class, a sharp drop from the previous year when the figure was 25.4 per cent. According to that survey, 26 per cent of senior managers in Britain flew economy class to long-haul destinations.

**You may be able to sweet-talk the purser but the party line is always that you get what you pay for**

Last year, too, British Airways said that main growth in the first half of 1993 had come in economy class travel.

So Passenger X, if you are up to beating off the opposition with your laptop and briefcase, consider the options.

Goodwill upgrades at the discretion of the airline from economy class to business or similar standard are possible. You may be able to sweet-talk the purser. But the party line from airlines is invariably that passengers get what they pay for. Some are considerate on compassionate grounds, but corporate executives wishing to work cannot expect to win such sympathy.

Virgin, for example, says that upgrades for full-fare paying passengers in economy class are allocated strictly, irrespective of business considerations. But the airline *pledges that it will not turn* completely deaf ears to the plight of a struggling executive: "It always depends on the circumstances. Business travellers using economy could check in early, make their request early and we could see what was suitable."

Cathay Pacific unlocks the promise of consideration towards the business traveller via the Marco Polo club. Membership of the club, which requires relatively frequent – but not excessive – travel, gives the traveller at a basic level priority service privileges. These include use of the airline's lounges and those of reciprocal airlines, advanced seat reservations, telephone or fax check-ins, extra baggage allowance, priority baggage handling plus frequent flyer programmes.

For the hard-pressed economy-class business person, frequent flyer programmes are an additional passage out of business travel hell.

On Cathay Pacific one only needs to make two return journeys economy class between Hong Kong and Los Angeles to qualify for green card Marco Polo membership. Cathay offers higher grade Marco Polo class such as gold or diamond.

Likewise, KLM is keen to promote frequent travel concessions as opposed to straightforward upgrading. The airline says that it does not have a policy of upgrading because higher standards of travel should be enjoyed by those passengers who have paid for such treatment.

But KLM operates the frequent flyer programme called Flying Dutchman World of Difference through which economy class travellers are able *to upgrade*. Further schemes guarantee the traveller privileges such as accommodation upgrades, late check-outs, express check-outs and VIP treatment. In addition to membership of such schemes, passengers receive points every time they travel with KLM which they can use towards upgrading their seats.

TWA operates a similar policy. The airline, which last year abolished its economy class in favour of a new comfort class which features more legroom, issues full-fare paying comfort class passengers with an upgrade certificate.

In fact, economy class has also been a beneficiary of a general trend among airlines to ditch first-class travel. Usually, such a move is accompanied by improvements to the remaining lower levels. In a trend set by British Airways 10 years ago on its European flights, scrapping upper class caught on quickly and most airlines followed suit.

Virgin took the classless *society to long haul*, replacing first with Upper Class, which offers business class with first class comfort and providing mid-class which aims to offer business comfort for full economy fare paying passengers.

But what if upgradings – both personally and in terms of the airline's provision – have firmly eluded you and you are absolutely stuck in economy? What will the airlines do to lessen the misery?

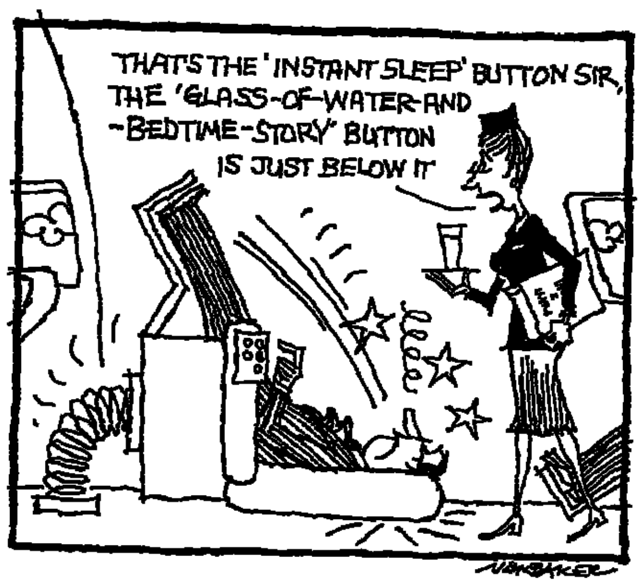
*Bad news, really. Little* provision is made for business to continue as usual when executive meets economy.

Few airlines provide newspapers. Virgin suggested that one of the few things it may be able to offer the determined executive in economy class would be a seat behind a partition.

Such accommodation may prove not quite mission impossible and you may be able to assemble your thoughts and papers, but don't bank on it.

صورة من الاصل






■ DISCOUNTS

# You can save – and still sit at the front

Wider seats, a better choice of meals and premium service for the business traveller need not come at a premium price. Cut rate deals are not just for the *globe-trotting* student or the family holidaymaker – discount prices can now be found at the front of the aircraft.

If you know where to look, savings of thousands of pounds are there for the taking. Due to an overburdened market and the growing business of travel agents targeting the executive traveller, up to 40 per cent of *all business and first-class flyers* now use discounted tickets for their journeys.

"There are so many airlines that there is over-capacity," says Mr Bill Kirkwood, sales and marketing director for Thomas Cook Travel. "There are more seats than (the airlines) can fill at full fare prices."

*The glutted market means* better prices for the business consumer. Within Europe, most major airlines publish cheaper rates in business class. On the route from London to Paris, full return fares are around £318 in the business cabin. British Airways offers a £240 return ticket in business class, with travel restricted to BA only.

Passengers whose schedules mean they might need to switch airlines will have to consider the higher price. For a further discount, British Midlands offers passengers a £225 return fare from Paris to London for those who only need three days for the trip. Similar discounts are available to other European destinations.

For travellers from continental Europe to London, buying tickets in London may be the best way to save money. Mr *James Foster*, of First Call Business Travel, recommends that regular flyers from the continent buy one single ticket to London, followed by a series of returns originating in London. Because of currency fluctuations, tickets *bought in* Britain are generally cheaper *than those* purchased on the continent.

The most dramatic savings are available on long-haul flights. To get the best deals on these routes, executive clients should visit a specialised travel company. *Airlines do not* directly advertise their cheap*ly-priced first* and business class tickets to passengers, and travel agents can often find cheaper deals by combining airlines or negotiating stopovers that will bring prices down.

In *Britain, most major* airlines regularly set "net fares" to sell on a limited basis to qualified travel management companies. With these tickets, customers can achieve savings of up to 60 per cent off published prices.

A business class return fare *from London* to New York, *for* example, with a published fare of around £2,130, can be found for £1,180 by First Call Business Travel in London. In first class, that route usually sells for just under £4,000. Discount agents can find a fare *as cheap* as £1,500.

*The London to Tokyo* route has a published fare of about £4,900 *for* first class and £3,180 in the business cabin. *Rock-bottom* tickets of £1,295 in business class are available from special discounters.

In the US, airfares fluctuate more frequently and depend on more variables than fares in Europe. Rather than purchasing "net fare" tickets, travel companies find the best deals by searching through their vast computer reservation systems. Ms Regina Schneider, of Rosenbluth Travel in Philadelphia, the third *largest* travel management company in the US with *1,600 corporate clients*, says computerised technology helps the company stay abreast of "thousands" of fare changes each day.

US travel management companies often work with business clients to draw up annual travel budgets and search for *composite deals, rather than* helping clients to book cheap tickets *on a trip-by-trip* basis. US Travel, for example, helps companies negotiate with airlines for a series of discounts. "We find discounts on a global level rather than on a one-shot deal," says Ms Gusty Taler, *spokesperson for US Travel.*

Working with such companies can yield *significant* savings. US Travel's international rate desk found a business class ticket from New York to Frankfurt for $1,490. The published fare on that route is $2,772. Similarly, on a *San Francisco* to *Paris* route, a first-class traveller could pur*chase a ticket for $4,022*, a route that usually sells for $6,846.

Wherever you go, it pays to use a travel agent or travel management company. When choosing a travel company, Ms Roma Battye, of American Express Airfare Centre, advises executive flyers to use "one with a dedi*cated unit* that looks after cheap fares".

> **A good agent will try to get maximum flexibility in a discounted ticket**

"It is important to use a travel management company which has substantial clout in the market," says Thomas Cook's Mr Kirkwood. *Signs of a good travel* agent are a centralised reservation service and trained staff. You should always have a choice of fares for any route you specify.

"Always get the travel management company to search for the best thing that is available," said *Mr Kirkwood.* "Don't just buy the first thing that is offered to you." Thomas Cook has a "fair fares" deal under which the company promises to match any fare cheaper than that which it offers on the same route.

Brand loyalty is nearly *impossible in the discount mar*ket, as the cheapest fares are often offered on non-traditional airlines for the particular route. "There are ways to undercut prices if you are prepared to fly by certain 'third-world' airlines," says Mr Foster at First Call Business Travel.

*Discounted* fares may also mean that flexibility is reduced. All such fares are sold for a particular airline. "With the special fares you cannot chop and change from airline to airline," says Ms Battye. For *business travellers with* uncertain timetables, such restrictions could mean that you would be stranded if you missed your flight.

Mr Foster says that such restrictions are not as draconian as they sound. If a customer misses a flight, most airlines will re-route passengers on alternative flights. Naturally, these details should be checked before you head for the airport.

A good travel agent will try to find the maximum flexibility *for you in a discounted ticket*. But Mr Kirkwood advises exec*utive travellers to* "look at the business itinerary and figure out what kind of restrictions they can live with to save money."

Rosenbluth Travel's Ms Schneider offers a few other suggestions for corporate travellers: consider buying full price coach tickets for upgrades to business class. Many airlines offer such deals, and travel companies can find them for you. And *several* airlines now have special classes where *customers pay coach* prices but get business or first *class service*. Virgin Atlantic has a "mid class", for example, and Continental advertises a "business first" class.

**Motoko Rich**

**Kate Bevan** looks at what is on offer in business class

# Almost the last word in airborne comfort

"The destination is more *important* for the *economy* passenger, but in business class, frequent travellers pay much more attention to the flight." So says one large carrier which, in common with other airlines, concentrates a *great deal of money and effort* on business class.

There is no denying that business class is much more comfortable than economy – wider seats, more space, better food and service. But not all *airlines are the same. Such* arcane points as differences in *seat pitch* – the distance between rows – seat width and in-seat entertainment are just scratching the surface.

Most business classes, such as those on the US carrier United and British Airways, *have a seat pitch of about 40* inches. By comparison, the pitch in economy is usually about 32 inches, while those travelling at the really expensive end of the aircraft in first class can look forward to 60 *inches in which to stretch out.*

The best airlines to go for if legroom is your main consideration are the ones that have thrown out the old first class/business class distinction and have concentrated on a "super business class" such as Virgin Atlantic and Continental of *the US.*

Virgin and Continental both have seat pitch of 55 inches – nearly as good as first class on other airlines. Width is also important, with most business classes offering a seat of 19 or *more inches wide. By compari*son, economy passengers are squashed into about 17 inches.

Regular travellers say there is little to beat the comfort in this type of business class. This small but expensive end *of the aircraft is what makes* the money for airlines, and the *money spent on the product* reflects this. Continental has spent more than £11m on upgrading its aircraft, and is spending a further £11m on advertising and marketing its BusinessFirst brand.

*Virgin says that it makes 40* per cent of its revenue from just 10 per cent of its passengers – those flying in Upper Class, its "super business class". United, which maintains the first class/business *class distinction, emphatically* says it is well worth spending the money on the front end of the aircraft.

A regular traveller will sit in as many designs of seat as there are airlines. Virgin sings the praises of Upper Class seats on its new Airbus A340 *aircraft, promising a fully* adjustable neck rest with adjustable tilting, all controlled by a touch-sensitive panel in the arm rest. Continental says its seats cost £5,000 each and have elec*tronic control of motorised leg* rests, head rests and lumbar supports.

Seat gadgetry has also spread to other airlines with the more traditional division between first and business classes. British Airways, for example, which first launched its Club World brand in 1988, now offers the business class traveller adjustable lumbar sup*port, larger "ears" to create* a cradle for the head and enhanced foot rests.

> *Well-being in the Air* has a leaflet on exercises to keep the circulation going

This array of gadgetry makes the more standard offerings from Qantas, the Australian carrier, look positively mean in comparison, even though its seats, with padded leg rests and contoured head rests are certainly comfortable.

*Space is an important factor* for business travellers, and one that airlines are taking seriously by attention to seat *pitches and widths. Even* apparently minor points such as the width of arm rests is important to some: one regular woman traveller remarked that she has often had to concede a narrow arm rest to her neighbour.

The space to move around also contributes to a feeling of exclusiveness. Virgin is resurrecting the old idea of aircraft lounges, where first class passengers *could* break the *tedium of* a long flight by propping up a bar and lounging on a sofa. It has created a lounge area on its aircraft, and will be installing *sofas* by the bar.

*Entertainment is important* for some passengers, and most airlines now offer in-seat facilities with varying degrees of sophistication.

Many carriers such as Qantas have a route map so *that the geographically curi*ous can try and pinpoint the *specks of light 35,000 feet* below. Qantas' map also provides information on height – both metric and imperial measures – as well as speed and distance from destination.

Most offer blockbuster films, as well as *news, sport and* comedy channels, but a drawback on many of these is that they run in a continuous loop and travellers have to wait until the sequence starts again if they miss the beginning, although airlines promise that is being addressed.

On a long flight, the food is important. Airlines pride themselves on their catering at the expensive end of the aircraft. Qantas includes Sydney Rock oysters and emu on its menu, offering both Austra*lian and European wines.*

British Airways has recently introduced a programme designed to deliver the traveller to his or her destination in a less bloated state – Well-being in the Air. A standard *menu might offer shrimp and* bean salad for a starter, together with lighter options such as seared and baked vegetables in a balsamic vinegar dressing. Foodies will note that balsamic vinegar has recently taken off in the way that extra-virgin olive oil did in the 1980s. A main course could offer a choice between beef in red wine and anchovy sauce, or for the more health-conscious passenger, vegetarian polenta with woodland mushrooms, leeks and *peppers.*

Virgin, on the other hand, concentrates on the feel-good factor by inviting top chefs such as Raymond Blanc to offer a dish and propose guest wines.

It is often the little touches that make a difference. Qantas staff make sure that a glass of water is on hand to prevent dehydration, while BA extends its Well-being in the Air programme to include a leaflet on exercises to keep the circulation going. Virgin carries a *beauty therapist on most* flights to provide massages and beauty treatments.

Some airlines even tuck you in for the night. First launched by BA in first class, and now copied by Virgin in Upper *Class and Cathay Pacific in its* business class, is the sleeper service. This provides a seat which goes almost flat out, a duvet or blanket, pillow and sleeping suit, and is preceded by a meal before take-off in the departure lounge.

The good news for the business traveller is that even with all this technology and feel-good treatment, airlines are constantly reviewing and upgrading their products. It can only get better.



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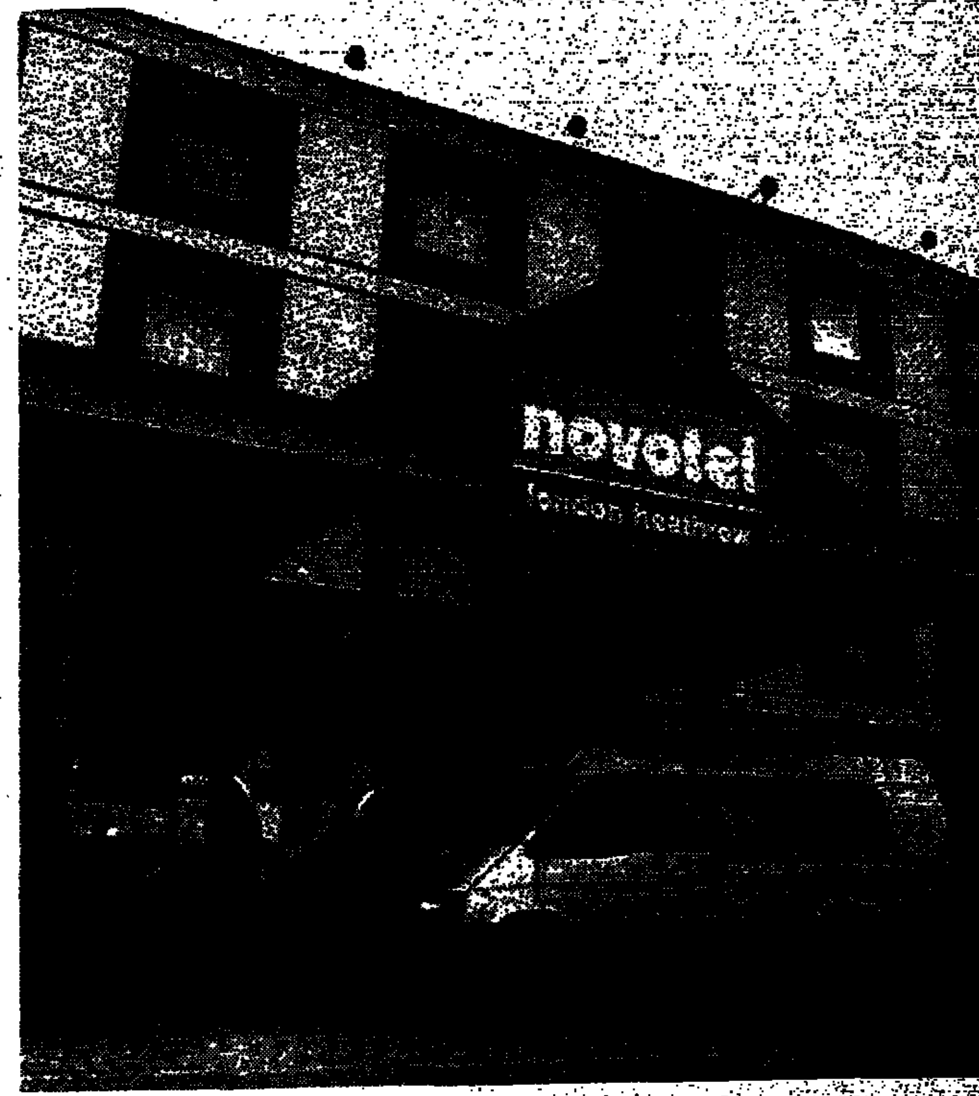



Contrasting styles: the Copthorne, five minutes' drive from Gatwick Airport and (right) the Novotel, which opened in 1992, a mile from Heathrow

**Michael Skapinker** on the attractions of airport hotels

# Inns that can offer more

Flight delays, severe weather and security alerts make airport hotels more exciting places than their city centre counterparts.

Delayed flights often provide a sudden surge in demand as airlines search for rooms to accommodate their passengers overnight. Even when flights are leaving and arriving normally, airport hotel guests arrive and leave at unusual times.

Guests usually arrive at city centre hotels in the afternoon and check out in the morning. Airport hotels have to be ready for guests who arrive at any time of the day or night and who might demand pre-departure breakfast in the early hours of the morning.

Mr Grant Hearn, director of the London region of Forte, the UK hotels group, says: "Airport hotels have a dynamic quality that other hotels might not have. There's potential for greater surges in demand." Mr Hearn, whose responsibilities include Forte's three hotels at London's Heathrow airport, adds: "It gives you a good adrenalin boost. It's quite narcotic in its way."

The economic downturn in the US and Europe in the early 1990s might have been bad news for the hotel industry as a whole, but it provided airport hotels with a boost.

Mr Geof Rochester, marketing vice president at Radisson Hotels International, says business travellers, under pressure to cut costs, found staying at airport hotels meant they could cut down on the number of nights they were away from the office.

Mr Rochester – whose group owns 81 airport hotels in cities as diverse as Los Angeles, Beijing, London and Guatemala City – says US companies appear to be continuing to use airport hotels even as the economy picks up.

The proximity of the hotels to the airport has increased their attraction as meeting places and conference venues. A company which wants to hold a conference of its European sales managers, for example, will often find it easier to get them all together at Heathrow or Amsterdam's Schiphol airport than at a rural retreat.

The conference and meeting business has the advantage, for airport hotels, of providing a more steady source of business than that which comes from guests who stay for just a short period before catching their flights.

While the average length of a guest's stay in an airport hotel is shorter than in a city centre establishment, the difference is less than might be expected. Mr John Wilson, chief operating officer of Hilton International, says the average length of stay in an airport hotel is 1.5 nights, compared with 2.1 nights in a city centre hotel.

Mr Wilson, whose company owns 11 airport hotels worldwide, says the challenge is to persuade airport hotel guests to stay for even longer. The key to doing this, he says, is to provide guests with the sort of facilities that makes it easier to do business from the hotel.

He adds: "The airport hotel was perceived years ago as *being a transient place*. Today's customer expects it to be more. You need excellent meeting facilities, access to fax machines and transport to the airport. At most airport hotels, you would also expect to find leisure facilities."

Airport hotels, particularly in the world's most important business cities, are becoming less spartan and functional than they were several years ago. The hotel that Hilton International is currently building at Charles de Gaulle airport in Paris will have spacious bathrooms and shower cubicles which are separate from the bath.

Mr Rochester says leisure facilities are an increasingly important feature of his group's large city airport hotels. Radisson's Los Angeles airport hotel has its own golf course and its Heathrow hotel *has a masseuse*.

**It is easier to get a conference of sales managers together at an airport than at a rural retreat**

Apart from attracting conferences and meetings, air crews provide another stable source of business for airport hotels. Airlines tend to pay lower rates for their crews to stay in airport hotels than the amounts paid by ordinary guests. Nevertheless, airport hotels compete fiercely to persuade airlines to give them their air crew business.

Forte's Mr Hearn says air crew contracts have the advantage of providing a guarantee that rooms will be filled for a certain number of nights, even if the rates paid are lower. The normal length of an air crew contract is 12 months. Some airlines, however, are prepared to sign air crew contracts for as long as three years.

In return, airlines expect hotels to provide their crews with special facilities. Airline crews need to have sufficient rest to be able to fly again. Flying in from different time zones, they need to be able to sleep at odd hours.

At Forte's Excelsior hotel at Heathrow, there is a special crew section with its own reception desk. Rooms used by air crews are supplied with irons and have refrigerators instead of mini-bars. To help crew members sleep, they have blackout curtains.

Hilton International's Mr Wilson says his company offers air crews a service called Touchdown, which provides a separate lounge where air crews can play games and get sandwiches and soft drinks 24 hours a day.

Many facilities provided to air crews would also be welcomed by other guests. Mr Wilson says airport hotels will have to begin providing lighter meals to all their guests, available at any time of the day or night to take account of their travel schedules.

Many airport hotels already provide a wider range of restaurants than city centre hotels because guests cannot wander along the surrounding streets looking for somewhere to eat.

Mr Hearn says that service airport hotels will also have to provide their guests with more opportunities to check in for their flights at the desk, without leaving the hotel. Airlines' security worries have hampered the establishment of a full hotel check-in service, as airline security demands that luggage be checked in at the airport itself.

Mr Wilson says, however, that it is already possible to check in for El Al flights at the Tel Aviv Hilton. He says passengers with hand luggage only can also check in at Hilton's hotels at Heathrow and Schiphol.

On parade: British Airways Boeing 747s at Heathrow Airport, London

Glyn Genin

## BUSINESS AIR TRAVEL 11

US airlines wage a cut-throat price war, reports **Richard Tomkins**

# Heavy toll of deregulation

Bad news for the US airline industry means good news for the business traveller: or so it would seem from reports about the effects of the price war being fought in America's skies.

Hardly a day passes without news of yet another US airline slashing fares in an attempt to preserve its market share against competition from lower-cost carriers – or alternatively, news of yet another airline reporting heavy losses because of its inability to make money at the new fare levels.

The state of the US domestic market has become mythologised as one in which air travel is now so cheap that airlines will practically pay you to fly with them. But perhaps not surprisingly, low-cost travel in the US domestic market is not quite as simple as all that.

That the market is competitive, there is no doubt. The US airline industry has been deregulated since 1978, allowing operators to fly any routes they like at whatever fares they care to set. Entrepreneurs seeking to enter the market need only satisfy the authorities as to their competence.

As a result, industry giants such as United Airlines, American Airlines and Delta Air Lines nowadays face competition from dozens of smaller newcomers including Valujet Airlines, Republic Air or UltrAir, all of them trying to grab a share of the market by undercutting the big carriers' fares.

**The small airlines are able to operate at a fraction of the big carriers' costs**

The small airlines are able to operate at a fraction of the big carriers' costs because they run intensive shuttle services on busy short-haul routes, minimising turnaround times and maximising productivity. They also pare costs to the bone by cutting out frills such as baggage transfers, in-flight meals, free newspapers and first-class or business class accommodation.

The low-cost carrier that serves as a model for the industry is Southwest Airlines, the Texas-based operator that is now the most profitable airline in the US.

With operating costs per available seat mile some 22 per cent below the average for the big carriers, it is trouncing the competition. Spreading across the south from its home territory, where it is easily the dominant carrier, it has become the biggest operator of flights within California and has driven American Airlines out of the short-haul market in the south-west.

Taking a flight by Southwest Airlines is a novel experience for business travellers accustomed to elaborate check-in rituals, fawning service and endless parades of drinks and meals. Southwest has deliberately trivialised the event, making it more like catching a bus. There is no first class or business class. The in-flight meal is a bag of peanuts and a glass of orange squash. Seats are not allocated: passengers just turn up and get on, and if they miss the aircraft, it doesn't matter, because there'll be another one along in a minute.

Southwest's fares are a fraction of those offered by other airlines for comparable distances – a feature that has proved highly addictive to cost-conscious US companies. Business travellers are not only deserting other airlines to fly by Southwest: they are also choosing to fly with the airline rather than drive, or to undertake journeys that their budgets would not previously have allowed them to make.

Southwest's formula has been so persuasive that it is being imitated by existing carriers as well as new entrants to the industry. Continental Airlines has set up a low-cost operation nicknamed CALite, offering so-called Peanut Fares on 875 of its routes. United Airlines, the biggest carrier in the US, has won agreement from its labour unions to set up a low-cost airline-within-an-airline, provisionally dubbed U2. Delta Air Lines is studying the possibility of doing the same, and others are expected to follow.

The result is that domestic air travel in the US, at least in the short haul market, is being transformed into a no-frills commodity business – low-cost, high volume, and with little added value.

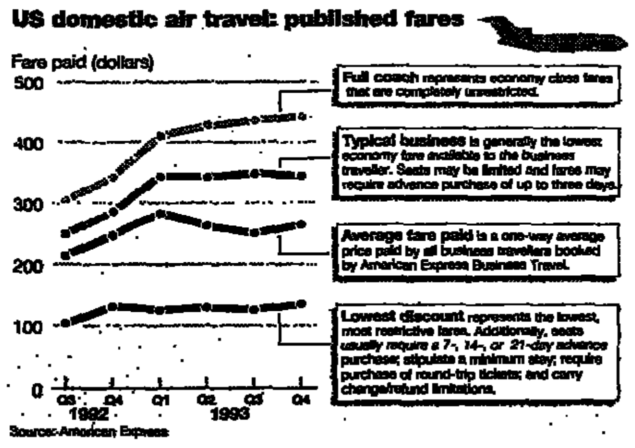
Aircraft at La Guardia Airport, New York, ready for take-off — Glyn Genin

Increasingly, the demarcations between business travellers and the rest are disappearing. Value for money is maximised by treating everyone the same.

But the puzzle is: if domestic air travel in the US is succumbing to this trend, why do business air fares show so few signs of coming down? Figures from American Express, which has set up an airfare management unit to track domestic and international fares, show that the average business fare for a one-way trip hardly changed during 1993, sticking at around the $340-$350 level all year.

According to Mr Robert Harrell, vice president of American Express's airfare management unit, the answer is simple. The impact of the low-cost carriers on the US air travel market has been blown out of all proportion, he says. Taken together, low-cost carriers still account for only about 4 per cent of total domestic traffic.

**US domestic air travel: published fares**




Source: American Express

All the rest is carried by airlines with more traditional cost structures.

Even so, things are changing. Up till now, most of the low-fare action in the US has been in the west and south-west. Astonishingly, average fares on short-haul routes in the east are now approximately double those in the west – partly because costs in the east tend to be driven up by bad weather, air traffic control delays and heavily unionised workforces.

Recently, however – too recently to show up in the American Express index – the fare war has started to penetrate the east, too. At the end of last year Southwest Airlines began an assault on the market by offering flights on the Baltimore-Chicago and Baltimore-Cleveland routes at fares up to 85 per cent lower than those available from existing operators.

In January, Continental Airlines announced that it was introducing its Peanut Fares to the east.

In February USAir, one of the biggest east coast operators, was forced to respond by slashing its fares by up to 50 per cent.

The significance of these fare cuts is that they are not special offers requiring advance booking and Saturday night stays: they are indefinite cuts applying across the board. Business travellers could therefore emerge as the main beneficiaries – provided, of course, they are happy to swap their comfortable seat and in-flight meal for a cheap ticket and a bag of nuts.

American Eagle commuter aircraft at O'Hare Airport, Chicago — Glyn Genin

## ■ Route profile: THE NORTH ATLANTIC

# Traffic booms again

The North Atlantic has been the crucible of competition in business aviation for years. But now innovation may be bumping the glass ceiling of capacity constraints at the European end of the journeys.

Passenger traffic between the US and Europe is once more at record levels now that the recession triggered by the Gulf War is history, while businesses, especially in North America, recover from economic recession.

US Department of Transportation figures indicate that more than 32m passengers flew between the US and Europe during 1993. The figure in 1991, with demand crushed by the Gulf War, was barely over 25m. The UK remains the most favoured point of departure of arrival, with more passengers than the next two countries, Germany and France, put together.

Such a rise in traffic inevitably tests the limits to capacity. In the past, the pressure has been borne more or less equally by airports on both sides of the Atlantic. This time the pressure is on Europe rather than the US.

The rise in the strength of the US dollar has stimulated US airlines and residents to travel. But increasingly they want to fly just to the main cities at the European end of the journey, such as London's Heathrow, Paris Charles de Gaulle and Frankfurt.

Many of Europe's regional cities and smaller airports are suffering. American Airlines, for example, is withdrawing from Berlin. The expected boom in business travel to what is planned to be the new capital city failed to materialise. It has also abandoned Stansted, London's third airport.

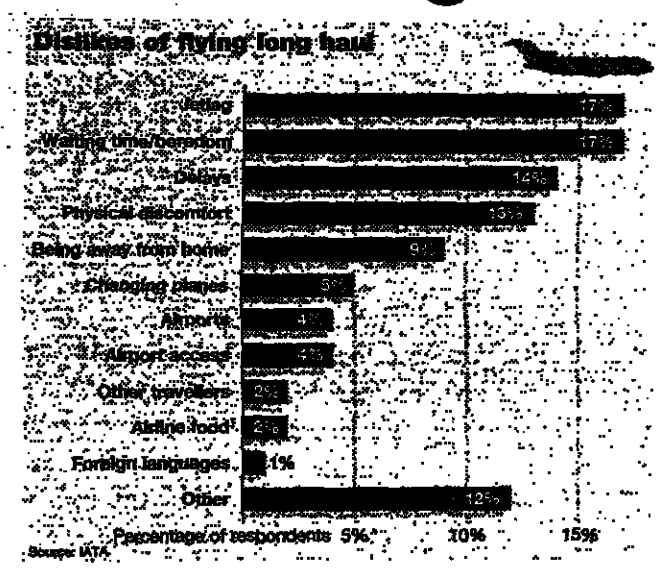
"We lost $1m a month for 10 months at Stansted. It's a £400m white elephant. Nobody knows about it," says Mr Hans Mirka, senior vice president of international routes at American. By contrast, the US end of the journey is seeing an increase in the number of cities served by non-stop flights from Europe.

The main factor appears to be that big airports close to economic centres are increasingly used as "gateways" to the rest of Europe. They are hubs for European airlines whose dense fan of spokes can take the incoming passenger to almost any city on the continent. European airlines tend to have one main hub, while US carriers have several.

These spokes that radiate from the hub are carrying a significant proportion of transatlantic traffic. Between a quarter and a third of all transatlantic passengers intend to fly beyond their first stop, says Mr Charles Gurassa, British Airways' general manager for the Americas.

Some airlines even specifically sell services to their capitals as the best air route to third points. Austrian Airlines is carving itself a niche as a gateway to the once-communist countries of eastern Europe and the former Soviet Union. It has constructed a timetable that allows passengers coming in on the overnight flight from the US to connect quickly to their onward flights.

**Dislikes of flying long haul**




Source: IATA

While the trend in Europe seems to be to reduce the number of gateways, the reverse is happening in the US. The development of transatlantic airline partnerships means that European airlines seek to plug into large domestic US services. Historically, these have developed at many cities, not just the traditional international gateways of New York, Washington, Chicago and Los Angeles.

Relationships such as that announced last week between Delta and Virgin Atlantic, and older ones between British Airways and USAir, KLM and Northwest Airlines, are developing rapidly. Transatlantic passengers can find themselves flying to a number of new non-stop destinations this year.

*Between a quarter and a third of transatlantic passengers intend to fly beyond their first stop*

KLM flies non-stop to Minneapolis and Boston, where Northwest has its hubs, while BA flies to Pittsburgh, Charlotte and Baltimore where its partner, USAir, has domestic hubs. The changes have stimulated a response from US carriers without main European partners. American Airlines may have given up on Stansted and Berlin, but it has introduced services from Europe to Nashville and Philadelphia.

These tie-ups are an essential part of offering onward flights on either side of the Atlantic. "The transatlantic service is an advertisement for the short haul," says BA's Mr Gurassa. They also allow the partners to offer a range of fringe benefits such as frequent flyer programmes whose points can be collected and redeemed on either network.

Mr Ron Speirs, Reed Travel Group's vice president of airline databases and industry affairs, says that passengers who are transferring to flights with partner airlines get "higher priority in the case of delays and the option to use partner's lounges and facilities. Other tangible benefits include the interchangeability of frequent flyer miles between airline marketing partners."

Less tangible to passengers are the benefits of code-sharing. This is when a single letter and number code identifies a service between two points with a change from one carrier to the other. This helps joint marketing of the service for the airlines, but apart from the co-ordination of timetables, it provides little advantage to passengers and may result in their flying on an airline other than the one they were expecting.

Such is the importance of this kind of interlinking of networks that it becomes a central plank of the planning of corporate deals. Lufthansa, the Germany carrier, and United Airlines of the US are planning to share routes and offer 100 code-shared services. Unfortunately, the plan has been delayed by the wrangles between the US and Germany over the bilateral aviation agreement between them.

They, and other airlines which have yet to find partners, may have little time yet to prepare themselves for the competitive onslaught from those that already have partners. By the summer, just about every airline will have refurbished business class service and passengers will find it harder to distinguish between them on the number of channels the inflight entertainment has or on the quality of their airport lounges.

Nor will they be able to look for huge rises in capacity to offer them a yet greater range of departure times. After the rapid growth of the last two years, American, for one, says it will not make a net increase in capacity on North Atlantic routes at all this summer.

Instead, the battle will be over convenience, rapid connection times and delayed free travel. On current trends it will be easier to fly into the new US hubs than into the increasingly overcrowded European centres.

Daniel Green

**David Boggis** looks at the advantages of hiring an aircraft instead of going by scheduled flight

# Charter may be good deal at £30,000

Thirty thousands pounds spent over four days on hiring a jet and its crew may sound like a lot of money.

But, say the charter operators, it becomes worth it as soon as you have two or more destinations to combine within a day, or whenever the place you need to get to is a little away from the main scheduled airline routes.

The Business Air Centre, London, is one of a small handful of charter brokers that exists to put executive travellers in touch with the aircraft operators. Ms Janice Hahn, one of BAC's directors, says: "Charter becomes cost-effective as soon as you take 10 people – or even half a dozen – from London to Paris and back."

Business for BAC has been strong in recent months. The £30,000 quoted by Ms Hahn was the centre's fee for chartering a 16-seat Canadair Challenger twin-jet executive on a flight that ran:

*London*, Paris, *Amsterdam*, Copenhagen, Frankfurt, Milan, Glasgow, Edinburgh and back to London Heathrow.

The trip took four days. The Challenger came with a crew of two pilots and one stewardess, and, Ms Hahn said: "Full complimentary first-class meals and bar."

In principle, a group of business people could have booked the flight on scheduled airlines. But schedules tend to involve many changes of airline, and rely on precise timekeeping.

Another example quoted by BAC is a charter, booked – as was the previous example – in February 1994, from Paris to Barcelona, Verona, Paris, Esbjerg (Denmark), Brussels and back to Paris. The round trip, in a 10-seater Dassault Falcon 20 – which has a somewhat smaller cabin than the Challenger – took two days and cost £18,000.

**The trip could be fitted into two days - but only the charter can fly direct**

British Airways welcomed the challenge of meeting – or improving on – the charter operators' costs while using scheduled flights. Replicating the Falcon flight to Esbjerg and other points proved difficult, though.

BA successfully fitted the trip into two days on schedules, but found that the Barcelona-Verona leg would entail a diversion via Rome, and Paris-Esbjerg would be via Copenhagen. Only the charter can fly direct.

On price, BA was able to quote £1,264.60, business class, making the airline itinerary cheaper as well.

For a theoretical flight carrying six people from Heathrow to Frankfurt, Rome and Paris, then back to Heathrow, BA quoted a fare of £534.30 a head and demonstrated that the itinerary could be fitted into a day, even on schedules.

*What could not be done was* to keep to the same airline throughout. Assuming an 07.40 start, the flyers could reach Frankfurt by BA at 10.15; catch Alitalia to Rome at 11.55, arriving at 13.45; leave Rome at 15.35 to arrive in Paris at 17.40; then leave Paris at 20.30 to return to Heathrow at 20.40.

For the same itinerary, BAC suggested a Learjet at a cost of £8,000.

Business class check-in, assuming hand luggage only, is reckoned as 20 minutes for the schedules. Ms Hahn quotes 10 *minutes as normal for charters*. There would also be passport checks, so that the time available for a meeting at Frankfurt would be just over an hour, assuming that flights arrived and left on time.

**The itinerary by charter**

| Departure city | Check-in | Depart | Arrive | Meeting time |
|---|---|---|---|---|
| Paris | 0705 | 0715 | 0845 | 1 hr |
| Barcelona | 0945 | 0955 | 1100 | 7 hr 35 min |
| Verona | 1835 | 1845 | 2015 | n/a |
| Paris | 0700 | 0710 | 0850 | 3 hr 50 min |
| Esbjerg | 1240 | 1250 | 1410 | 6 hr 10 min |
| Brussels | 2020 | 2030 | 2115 | n/a |
| Paris (arrive) | | | | |

(sector durations are real but check-in times are adjusted as far as possible to match check-in times for schedules; check-in time is 10 minutes)

BA also points out that charter aircraft may not necessarily be able to get landing permission at Heathrow, with its intense pressure on slots.

That objection echoes concerns voiced by Mr Derek Leggett, chief executive of the Business Aircraft Users Association, which represents corpo*rate aircraft operators in the* UK. His members' access to gateway airports such as Heathrow is, he says, "getting progressively more difficult each year".

Ms Hahn points out that, in the example quoted, the Challenger flight actually had no difficulty in getting a slot at Heathrow in February.

Passports, she says, are still required between *European* Union countries, but formalities can be minimised. BAC will take on the task of collecting travellers' passport details and passing them on to the destination airfields. The charter flight will avoid crowded airline terminals and go instead to the general aviation block.

Charter charges normally include flying time only. Only if, say, the hire period ranges over a week, with two non-flying days, does the hirer incur a daily charge for the aircraft.

For shorter trips, a twin-turboprop such as the Beech King Air can compete on cost and *even on time with the jets*. The pressurised King Air, which flies at jet altitudes, can carry 10 people from London to Paris and back within a day.

BAC, Ms Hahn says, has no "typical business customer". The hirers on the Challenger and Falcon flights were financial executives. Nor does BAC have a "typical aircraft type".

Models chartered have *included* the Piper Chieftain – a twin-prop, unpressurised 10-seater – on a round trip from London to Orleans, France – and the Lockheed TriStar, an airliner that can seat 350 people.

Another advantage of charter is that the operator has a wider choice of destination airfield. Mr Trevor King, commercial manager of Magec Aviation at Luton Airport, points out that there are many more airfields that can accommodate a business flight than are served by scheduled airlines.

**More airfields than those served by scheduled airlines are available**

Magec is a division of GEC-Marconi and has extensive experience of operating a fleet of six British Aerospace 125 jets capable of seating eight to 12 passengers. One example that Mr King quotes is that of a client who needed to fly seven executives from East Midlands to Kiev, a mission carried out more easily than by schedule.

The value of charter, Mr King says, is determined by the value of the passenger's time. The stress is less when you charter, he says. "It's a more restful way of travelling. You can pick your own schedule."

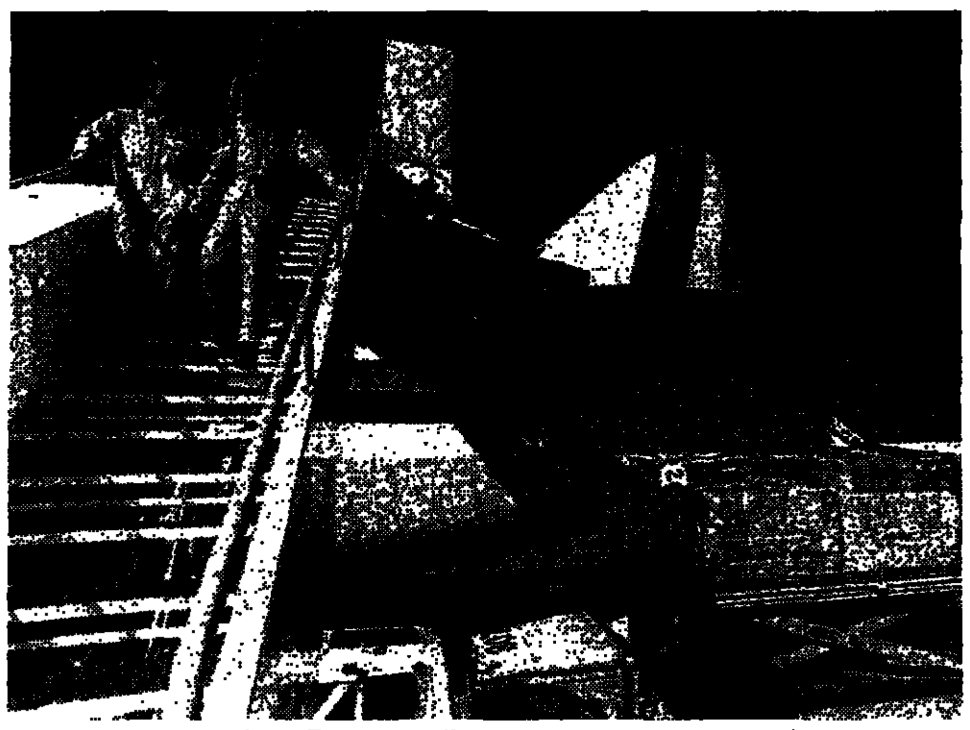
Clients can hold business meetings in the air, or work on documents more comfortably than on a schedule. Luton's executive wing has a conference room, so that time can be saved when business partners meet at the airport. Many big airports worldwide have similar facilities.

Depending on aircraft type, also, business meetings have been held aboard the jet while on the ground. Privacy can be assured, which is another advantage.

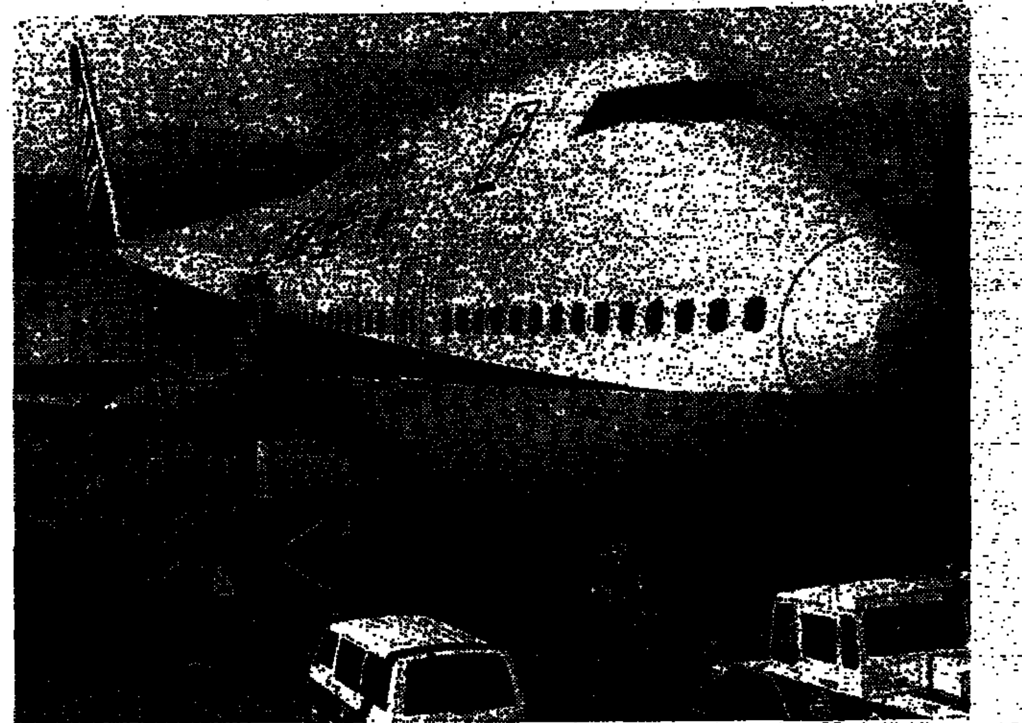
The more valuable the executive's time, the more benefit the company gains from having the use of its own aircraft – and experience during the recession has shown that the more companies sell off the corporate aircraft, the more the demand for charter has grown. That £30,000 comes to look less like expenses and more like an investment.

**Michiyo Nakamoto** reports on golden opportunities in the region

# Asia-Pacific is the big growth area



Japan Airlines cargo operations at Tokyo's Narita Airport — Glyn Genin



A Boeing 747 of All Nippon Airways at Sapporo Airport, Hokkaido — Glyn Genin

Earlier this spring, posters inviting would-be Japanese travellers to the bright blue beaches of Bali went up to enliven often dreary public sites in Tokyo's concrete jungle.

The colourful posters, announcing a new direct route from the Japanese capital to Bali, in Indonesia, are seductive. They are also symbolic of the surging interest in Asia-Pacific travel that is being fuelled by the spectacular economic success the region has enjoyed in recent years.

In all the gloom that has surrounded the world's aviation industry, the Asia-Pacific region has remained a shining exception. The region is expected to continue outpacing other parts of the world in growth in air travel and the trend has encouraged airlines, both from within and without the region, to boost their operations and take advantage of the golden opportunity.

However, much of the region's promise depends on its ability to solve infrastructure and capacity constraints which have become an increasing problem for travellers in the region.

In the past few years, the surge of business activity in Asia, from the south-east Asian countries of Thailand and Singapore to Korea and Taiwan on the east, has encouraged an enormous increase in the number of people moving not just in and out of the region, but within it as well.

While the rest of the international market for leisure and business travel grew just 5 per cent last year, the market in the Asia-Pacific region rose a firm 15 per cent, according to the World Tourism Organisation.

"Countries such as Singapore, Taiwan and Korea did not see air travel levels fall even while Japan did during the recession," says Mr Yoshio Koteda, general manager of international relations at the Japan Travel Bureau.

As a result, the proportion of people who left the country in 1992 to the overall population was as high as 35 per cent for Hong Kong and 25 per cent for Korea, compared with just 9.5 per cent for Japan, according to statistics by the Japan National Tourist Organisation.

The growth in air travel in Asia has been so strong that in fiscal 1992 Qantas, the Australian airline, for the first time earned more revenues in Asia than in its home market.

But the boom in regional air travel has not offered as effective a boost to profits for all airlines with a stake in the pie. While most are benefiting from the expansion of business in the region, the explosion of the market has brought uneven blessings to the region's airliners.

Qantas, for example, is one of the more enterprising airlines which have aggressively taken advantage of growth markets in the region.

**In 1992 Qantas, the Australian airline earned more revenues in Asia than in its home market**

The airline, which had just four flights a week out of Japan in 1985, has aggressively expanded its routes and *now has 32 flights out of the* country, which has become its largest source of revenue outside its home market.

Qantas has also actively promoted flights from regional Japanese destinations, such as Fukuoka on the southern island of Kyushu and Sapporo in the north, to regional sites in Australia. Last month it opened a route from Tokyo to Darwin, in the Northern Territory, and plans to add five more flights a week when the new Kansai International Airport opens in September.

For their part, south-east Asian carriers are putting in considerable effort into cultivating regional traffic as well, and JTB's Mr Koteda says that airlines such as Singapore Airlines and Thai International are very popular among Japanese travellers.

Meanwhile, in the trans-Pacific market between the US and Japan, US airlines have managed to build up a formidable presence on the strength of their lower costs. Aggressive pricing has enabled them to take about 70 per cent of the market even as passenger growth has been seen mainly *from Japan rather than the* US.

The rising fortune of Asia-Pacific and US carriers in the region has largely been at the expense of the Japanese airlines, which have suffered under a high-cost structure that has been aggravated by the yen's recent appreciation.

As they face rising competition from neighbouring airlines, the Japanese carriers are also worried that the country's aviation accord with the US gives low-cost US carriers unfair advantages that will limit their own chances of capitalising on the spectacular growth of the Asia-Pacific market.

They are angered by US moves to take advantage of their beyond rights to fly from the US via Tokyo to a third destination in the increasingly popular Asia-Pacific region. Northwest Airlines, for example, was accused by both the Japanese and Australians of taking business that was rightfully theirs when it flew a flight from New York to Sydney, through Osaka, which mostly carried Japanese travellers between Osaka and Sydney.

*Furthermore*, there is rising concern that the high costs of landing at Kansai International, a new international airport in western Japan, will discourage airlines from taking up their landing rights there, and shift business to other airports, such as a new one being built in Korea.

*"For a lot of (Japanese) people*, in many ways it could be more convenient to fly via Kimpo airport in Korea, rather than through Kansai or Narita even," Mr Koteda points out.

Such worries are justified. The strength of the Asia-Pacific market is expected to continue for the foreseeable future, with the region likely to show stronger growth than other markets. Estimates range from 8 to 10 per cent growth to the year 2000 and Qantas expects the Asian market to account for 51 per cent of all international traffic by the year 2010 compared with 31 per cent in 1990.

But the ability of countries within the region to draw a significant part of that traffic through their doors will depend to a considerable extent on increasing capacity. There has been a rush to do so with new airport facilities planned not only in Japan but in Thailand, Taiwan, Korea and Singapore as well.

While growth in the Asia-Pacific market is sure to come, and the Japanese will certainly enjoy their share of that growth, national aviation policy and the efforts of the carriers over the next few years will be crucial in determining where much of that growth is finally channelled.

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# AIRPORTS OF THE WORLD

On pages 13, 14 and 15 our correspondents on the spot offer quick guides to how to find one's way around and what to look out for

Passport control at Linate Airport, Milan — Trevor Humphries

## ■ MUNICH

### An outpost on an heroic scale

Munich's shiny new steel and aluminium Franz-Josef Strauss airport is, for the most part, a successful attempt at user-friendliness. It might have come off even better had the Bavarians not been tempted to build what is essentially a medium-sized regional service point on such an heroic scale.

The place has clearly been built with long-term growth (and the prosperity of the German metal-working industry) in mind. However, disproportionate walking distances are partly compensated for by an unclaustrophobic atmosphere and a liberal sprinkling of cafés and restaurants.

A full range of services is amply staffed by people with a tendency to brisk efficiency, further contributing to a more relaxed feel than is common in such places.

The principal drawback is the airport's position well away from the city, which makes travelling to and fro something of a trial. It can be costly, too, for those who elect to avoid the cheap 45-minute S-Bahn train ride across the dead-flat Bavarian heathlands to the city centre.

High spot of the journey is the airport visitors' viewing point: a perfect cone of spoil from the airport construction work. The S-Bahn journey is comfortable enough, but over-punctuated with stops at every hamlet along the way.

The taxi ride, officially 30 minutes, but often longer because of the Germans' love of traffic jams, costs a whacking DM90.

Experienced hands on one-day trips prefer to hire a small car for up to DM60, but this is not especially advised for occasional visitors unfamiliar with Munich's whirligig traffic guidance systems.

**Christopher Parkes**

## ■ FRANKFURT

### Charmless, but it has every facility

If you have the legs and the patience to seach them out, Frankfurt Airport has every conceivable facility for the business traveller within its charmless vastness.

The tricky part is finding a helpful and knowledgeable ear to offer directions. Don't even try on a national or regional holiday, but be sure to arrive with plenty of time to spare if you are flying out. On peak days the outward-bound total approaches 70,000 happy travellers.

Those en route to the US should leave an even greater safety margin in the light of the continuing withdrawal of swathes of US military and ancillary personnel, their dogs and bicycles.

Formerly bottle-necked security checks are showing signs of improvement with the arrival of extra staff and an increase of almost a third in the number of X-ray machines in the past few months. A newly-expanded supply of baggage trolleys (apparently modelled on the Mercedes S-class car) also appears to have put an end to regular wrestling matches, especially in the departures area.

Mechanistic processes requiring minimum personal contact with airport staff, such as baggage handling, tend to be flawless.

Passport control for new arrivals is erratic. Do not bother to smile at the uniformed checkers, but make sure you toe the yellow lines as you approach them unless you enjoy being harangued.

Public transport services are adequate. For preference take the train or a 20-minute taxi ride if the prospect of the gruesome drug-addict population lurching around Frankfurt's railway station concourse deters you.

Car-hirers may be rattled by the tangle of roadworks associated with the construction of the new $1bn terminal, scheduled to open a new era of comfort and efficiency in October. Road signs near the airport are confusing, to say the least.

Incoming drivers looking for a parking space are often best advised to avoid the signposted car parks 1, 2 and 3, and nip along past the set-down area to car park 4 which generally provides quickest access to arrival and departure areas.

**Christopher Parkes**

## ■ ZAVENTEM

### Advantage of being near to Brussels

Time is money, so the biggest advantage of Zaventem airport is how near it is to downtown Brussels. A 20-minute ride on the train costs a paltry BFr85 (less than $3). Driving takes between 20 and 25 minutes, providing you do not travel between 4pm and 6.30pm when there is a high risk of being trapped in city tunnel traffic. Taxis cost a hefty BFr1,200 ($40).

At first sight, the airport is unappealing. The arrival lounge has a mangy bar which is full of stale smoke. The foyer teems with illegal cabbies on the look-out for gullible foreigners. Heathrow's Terminal One looks luxurious by comparison.

Further inside, standards pick up. Airline staff are courteous, and the check-in queues shift quickly. Baggage handling is speedy and reliable. Duty-free shops have the best chocolate in Europe. The executive lounge looks as good as most. What is missing is a good toy shop for children's presents and a high-class restaurant.

On the other hand, Zaventem does not specialise in transit connections, unlike Schipol or Heathrow. It is a one-stop shop whose chief appeal is the lack of crowds.

Two quibbles. Passport checking is irritatingly slow for a country which has signed up to the Schengen agreement (the accord between European Union member states which is supposed to make travel between signatory countries pain-free). Brussels officials say that all will come good once airport reconstruction is complete. The sullen expression on the faces of customs officials suggests otherwise.

Second, there never quite seems enough parking space inside the airport garage which is some way from the arrival and departure exits. Motorists may need to kerb-crawl for up to 10 minutes to look for a vacant slot among the 6,000 allotted places. It is no particular consolation that parking costs a fairly reasonable BFr295 a day.

**Lionel Barber**

## ■ MILAN

### Chancing the fog at Linate

Early morning passengers bound for Milan often betray an almost British preoccupation with the weather. Is it foggy at Linate Airport? Will there be a delay or even a re-routing?

The tendency for mist at Linate is aggravated by the nearby presence of an artificial lake. Unfortunately, until mid-1995 the airport is without an instrumental landing system, which is being improved to allow aircraft to land in visibility of less than 75 metres.

On a clear day, the traveller can look forward to Linate, which is well equipped and convenient for meetings in Milan. It is only 10km from the city centre and a taxi ride costs L25,000 (about £10.50).

An airport bus, at 20 minutes frequency, connects with the main railway station where there is also access to two of the city's three Metropolitana (underground) lines. Tickets cost L4,000. Alternatively, there is the No 73 bus which has its other terminal at Santa Babila in the heart of the city. In common with all buses, the L1,200 tickets have to be bought at newspaper stalls.

There are three car parks, including a multi-storey for 1,300 cars, pleasant bars and duty free and a business centre. The friendly woman at the information desk, who offers a passenger one of her own L200 coins for a telephone call, is typical of the local attitude.

Recent improvements at the airport have provided passengers with rolling-bridge access to 75 per cent of national flights and also a new national departure lounge connecting with international flight departures. The baggage area for international arrivals has been extended.

But Linate, about the seventh biggest European airport with 9.5m passengers, can grow no more and this is of great concern to Alitalia, which claims that L3bn a day is lost in air fares sold by rival airports. Work on upgrading Milan's other airport, Malpensa, with 3.6m passengers, got held up by inquiries into Italy's Tangentopoli bribes scandal and, for now, the link with the city is a 60-minute bus ride costing L12,000 for the 45km journey, or a L120,000 taxi ride. Travellers usually prefer to chance the fog at Linate.

**John Simkins**

## ■ CHARLES DE GAULLE

### Great shops; a pity Paris is so far

Charles de Gaulle may have lost a little of the sci-fi stylishness that made it seem so funkily futuristic when it opened in the 1970s, but beneath its grubby concrete facade lurks a remarkably efficient international airport.

Despite the grime, it is still a thrill to whizz up and down the glazed escalators in Terminal One. While Terminal Two boasts the visual treat of a Thunderbirdesque ring road that comes into its own when illuminated at night.

The shops at both terminals are spectacular: as befits France's biggest airport. The épiceries sell everything from cheeses to foie de gras. Even the clothes shops (a sore point at most airports) are passable so that, if the worst came to the worst and you lost all your luggage, you need not end up looking like Eurotrash.

Charles de Gaulle also scores highly on the lounge front. The Concorde lounge, predictably, is best for celebrity spotting, particularly during the fashion season when posses of supermodels fly in. Even the ordinary business lounges are kitted out with all the necessary facilities. Although the "capsule" accommodation (literally a bed and basin) for passengers on delayed flights should be avoided at all costs.

The big hitch about using Charles de Gaulle, other than the high statistical probability of having your luggage pillaged by its sticky-fingered baggage handlers, is getting there. The 25km trip between central Paris and the airport can take as little as 30 minutes and cost around FFr100 (about £12), but that is only on those very rare occasions (mainly between the insomaniacal hours of 4am and 5am) when the roads are clear.

Even at moderately busy times the journey stretches to an hour and the fare rises to FFr180 to FFr200. Anyone deluded enough to venture out to the airport during the rush hour or, worse still, on the eve of one of France's numerous national holidays, should allow for anything up to two carbon monoxide-choked hours in an apparently endless traffic jam and a FFr250 bill at the end.

The buses, which leave every 20 minutes or so to destinations such as the Arc de Triomphe and Gare de l'Est, take just as long as taxis: but they are, at least, cheaper at FFr40 a ticket.

The other option is the train, which is even cheaper with tickets at just over FFr30. The snag here is having to wait – and wait – for the buses that ferry passengers from the terminals to the Roissy RER station. There is also the risk of public sector strikes (nearly as numerous as French national holidays) and finally the threat of the thieves and flashers that prowl around the Roissy line.

Any passenger really must watch his or her wallet at all times and it is not safe to travel alone after dark.

**Alice Rawsthorn**


Heathrow: the busiest airport in the world on one of its quietest days — Tony Andrews

## ■ HEATHROW

### Best and worst of the terminals

London's Heathrow is the busiest international airport in the world. But whether you enjoy the experience of using it depends largely on which terminal you use.

Like Air France at Charles de Gaulle in Paris, British Airways has the best terminal almost to itself. Terminal Four is a model of spaciousness which even when busy causes no more stress than queueing to buy an ice cream on a summer's day.

Terminal Two, on the other hand is a ghastly outdated construction where even users of business class check-in desks have to manoeuvre their bags around concrete pillars that could not have been better placed by the demon of travel frustration. Take medical advice first if you suffer from claustrophobia.

Terminals One and Three are in-between, but have a distinct Terminal Two tendency at busy times.

Getting to the airport is never quite satisfactory. The Underground is cheap and reasonably quick, but inconvenient and awkward if you have heavy bags. Central London stations usually have steps rather than escalators at some point. The airport bus is of variable reliability while taxis cost at least £30 and are a guaranteed way of missing the aircraft if you leave in the rush hour.

Parking costs £12 a day close to the terminals in "business Car Parks" close to the terminals and £7 a day further away in the long-term car parks. At Terminal Four the best deal is the Hilton Hotel car park.

There are more than 25 business and first-class which, especially for long haul, are generally well kept and spacious. The exceptions at busy times are the British Airways club class and executive club lounges, which are victims of their own success.

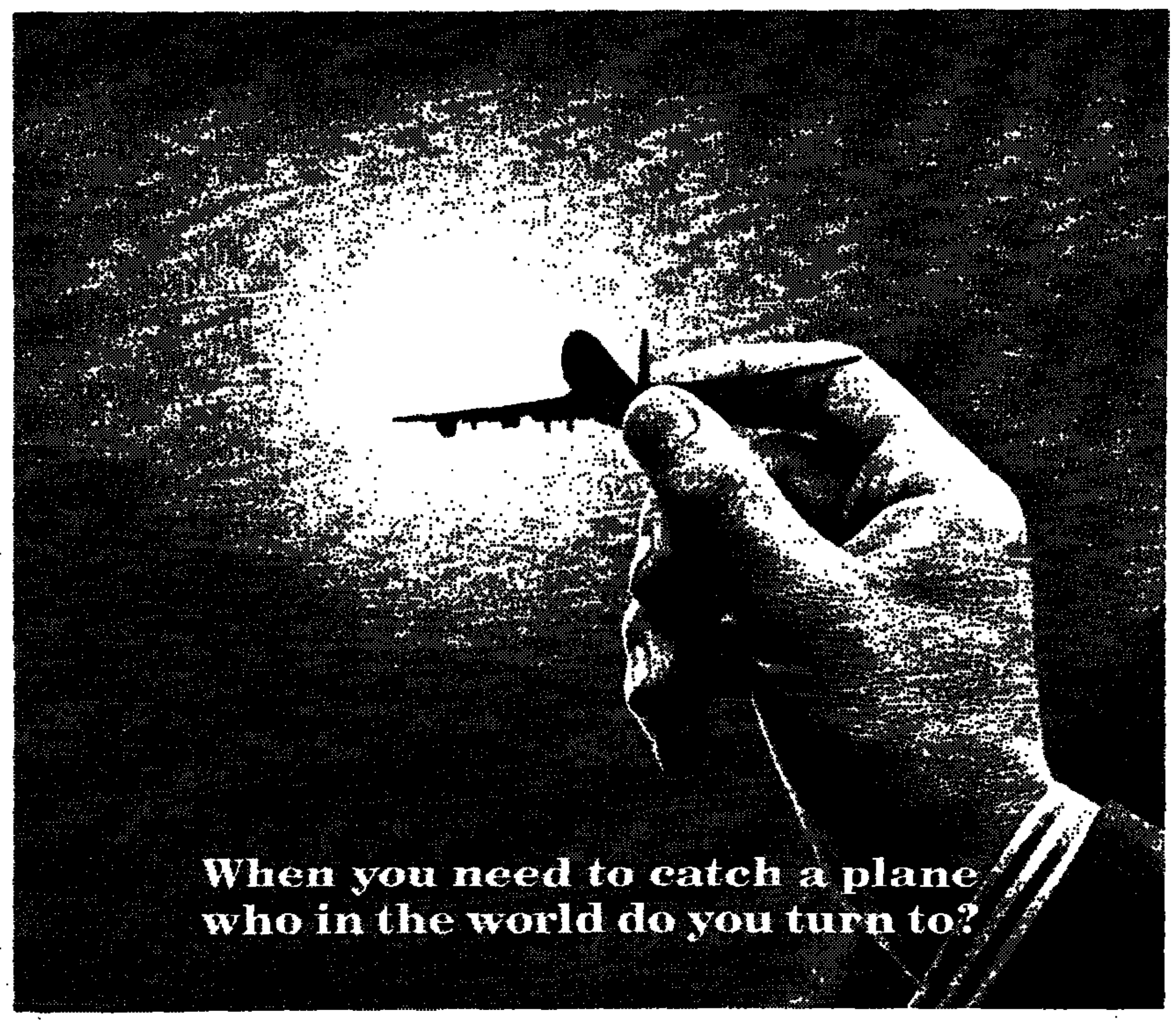
Thomas Cook has a business lounge between Terminals One and Two aimed at short haul business passengers who travel on economy tickets.

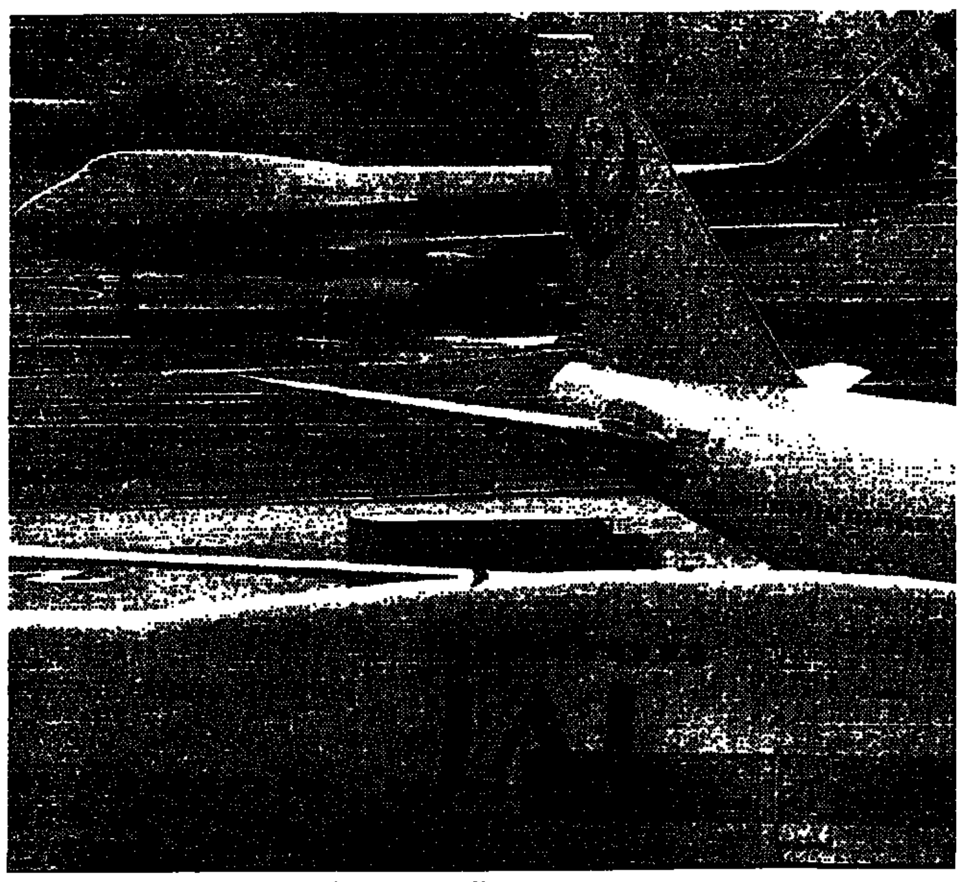
Undoubtedly, Heathrow's strong point is its shopping. Once again, Terminal Four is best, although Terminal Three is close behind. There are 59 duty-free and tax-free shops, so do not buy anything until you have gone through passport control.

Such has been the overcrowding at Heathrow that some airlines have clubbed together to pay for separate security and passport checks for business and first class passengers. This "Fast Track" service is genuinely useful and operates at Terminals Three and Four with seven airlines participating.

**Daniel Green**






Japan Airlines' and All Nippon Airways' 747s at Narita Airport
Glyn Genin

■ NARITA

# It's easy to get to Tokyo

Narita, the international airport that serves Tokyo, now has two terminals. While this should not worry the well-organised traveller, it is testimony to the large scale and complexity of the place which anyone who finds himself having to use Narita should be warned about.

Narita does try, however, to be user-friendly. Transport between the airport and central Tokyo is relatively easy and the airport buildings boast facilities ranging from shower rooms (for Y600 an hour) and audio-video rooms (at Y400 for two hours) to a business centre and free children's play room.

For those caught hungry at the airport, restaurants serve a variety of Japanese, Chinese and western cuisine at somewhat higher prices than average in downtown Tokyo.

There are hotels and conference facilities catering to a variety of needs around the airport and two conference rooms in the airport itself, the largest of which can handle up to 50 people.

Getting away from Narita is also relatively hassle-free. Perhaps the most convenient way for travellers staying at hotels downtown is to use the airport limousine, which runs at regular intervals to the major hotels and stations in Tokyo, Yokohama and some parts of Chiba, including Tokyo Disneyland. Some limousines go directly to hotels.

**Finding somewhere to eat in the city after 10pm may be difficult**

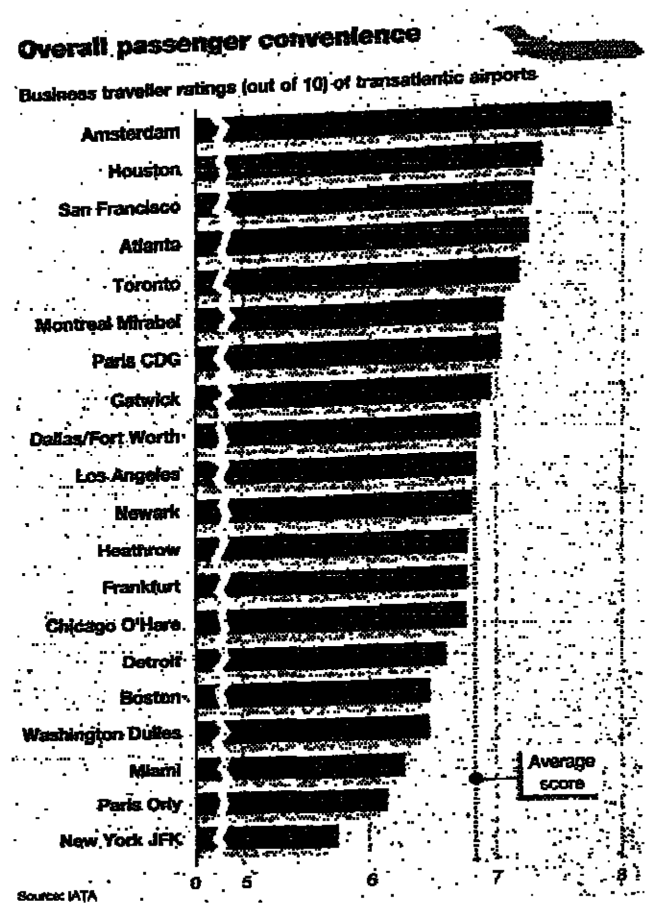
The cost is steep at Y2,700 (about £17.75) to central Tokyo and Y3,500 to Yokohama, but the ride is generally comfortable with reclining seats and air conditioning. The drawback is that traffic can be horrendous depending on the time of day and an average 70-minute drive to central Tokyo can stretch out substantially.

The Narita Express trains which run from the airport to stations in similar areas are much more reliable and offer smooth, comfortable travel to major destinations for much the same cost. Access is relatively easy to the trains which run at half-hour to one-hour intervals.

On the other hand, independent travel by car is somewhat more complicated as parking facilities are relatively expensive and not within easy reach. Taxis and car rentals are readily available but costs are steep.

While aeroplanes should not arrive at Narita too late, travellers should be warned that Tokyo itself goes to sleep fairly early so that finding a place to eat after about 10pm is difficult.

**Michiyo Nakamoto**



Source: IATA

■ SCHIPHOL

# Casino set to open by end of year

Amsterdam's Schiphol Airport is heavily dependent on transit passengers and goes out of its way to make connections easy. Though the airport is growing rapidly in size, it remains under one roof, so there is no need for terminal hopping.

The business traveller running from one gate to the other is sure to encounter Schiphol's extensive array of duty-free shops. Besides the usual cigarettes, alcohol, perfume and cosmetics, these sell diamonds, cameras and televisions.

The latest sector to be added to duty-free sales is golf: Schiphol recently became the first airport in the world to open an indoor centre, complete with putting greens and driving ranges as well as a "video-golf simulator" which replicates 24 of the world's golf courses. There is even a professional on hand for lessons.

The airport has two business centres, one for transit passengers and the other for people already through immigration and customs. These have meeting rooms and computers, and secretarial services can also be obtained. Other airlines also have executive lounges.

For relaxation, there is a fitness centre, a sun centre, a sauna and a hotel, all in the transit area.

At the end of the year, Schiphol plans to become the first airport to have a casino, where departing and transit passengers will be able to play blackjack and roulette and other games of chance.

The only drawback to Schiphol at the moment is the heavy programme of construction, which can make finding the car parks a chore for people driving to the airport.

**Ronald van de Krol**


KlM's business class lounge at Schiphol Airport, Amsterdam

■ ZURICH

# So typical of the Swiss

Zurich's airport is everything you would expect of a Swiss establishment – quietly efficient, tidy, convenient and expensive.

It is composed of two adjacent terminals, with spacious Terminal A occupied only by Swissair and its partner airlines: Crossair, Austrian Airlines, SAS Scandinavian Airlines, Delta Airlines and Singapore Airlines.

All other airlines and charter flights use Terminal B, and it is here that crowding can often become unpleasant and service drop below acceptable standards.

The airport is located only 11km north-west of the city centre. It can be reached in a few minutes by car and very frequent train services from the city's main railway station to the station underneath Terminal B. Traffic jams going to the airport are rare, less so going into town.

The second class one way rail fare is SFr4.50, the taxi fare a numbing SFr40 (about £19).

There are multi-storey car parks connected to each terminal and parking costs SFr4 an hour, SFr24 for 24 hours and SFr96 per week. For those accompanying departing passengers or welcoming new arrivals, there are usually a few parking spaces free at the respective ramps at SFr1 for a maximum of 10 minutes.

Passenger processing is normally efficient and the terminals are not so big as to require a half-hour hike to the gates.

Lounges for first class and business passengers have been cramped and smoky, but Swissair has just opened new, enlarged ones in Terminal A for its clients. Other airlines make do with what they can get, sometimes even having to take space in Terminal A.

Oddly, Zurich airport is not famous for its shopping. This is because it is owned and operated by the cantonal government which has to be sensitive to the feelings of its many constituents who dislike the airport.

Attempts to expand airport facilities are always contested, so it is pointless for the authorities to try to boost custom through marketing promotions.

The transit areas feature a modest array of duty-free shops, but the prices are not remarkably better than you can get in town.

On the other hand, there is an immense and varied shopping centre in the basement of Terminal B above the railway station. It is as much for Zurich residents as for travellers, being the only place in the region where evening and Sunday shopping is allowed. But it is worth a browse, if only to acquire a feel for how the natives shop.

**Ian Rodger**

■ CHICAGO

# O'Hare drawback is congestion

Chicago's O'Hare Airport served 66m passengers in 1993, making it one of the world's largest, and often among the most frustrating, transit points for business travellers. Local politics have constrained badly-needed runway expansion at O'Hare, resulting in air traffic congestion and flight delays.

The congestion extends to the highways that surround the airport. Interstate 94, the main artery between O'Hare and downtown Chicago, is under construction throughout this summer, with the project planned to extend into 1995. Ground transportation delays are expected to peak during the weekends preceding the May 30 and July 4 US holidays, and between June 14 and July 2, when more than 60,000 foreign visitors will come to Chicago for the World Cup soccer tournament.

Airport officials encourage travellers to use Chicago's train system to get into the city, since traffic gridlock can turn a 40-minute taxi or rental car ride into a two-hour ordeal at peak times. Chicago Transit Authority trains can be caught right at the airport, and deliver passengers to the central business district, the Chicago "loop", in about 40 minutes for a fare of $1.50. Taxi fares to the city run to about $30.

The CTA trains offer the noisy, untidy jolting of a carnival ride, and have no provision for luggage. However, they provide unexpected views of Chicago's mean streets, multi-ethnic neighborhoods, and some of the best graffiti art in the US. Train travel is only recommended during daylight hours, with cab or limousine service available after dark.

Last May a new $618m International Terminal (terminal 5) opened at O'Hare. This bright facility offers a buffet of Chicago fast-food specialties, including Chicago-style frankfurters and pizza. There is a 6,000 sq ft duty-free shop; one of the largest in the US; and information booths with friendly multi-lingual attendants on both terminal levels.

But travellers should note that the international terminal is located away from the main airport, and that connections can be made only by taking a five-minute trip on the new $127m airport transit train.

While major international carriers are now using the new terminal, US airlines that make international flights are still operating out of their own terminals. International travellers departing from O'Hare should check with their airlines for departure location.

O'Hare's largest concentration of business services is in Terminal 3 near the American Airlines gates. It is equipped with 17 conference rooms with video conferencing capabilities, all available for short or long-term rental.

**Laurie Morse**

The United Airlines terminal at O'Hare Airport, Chicago — Glyn Genin

Atlanta's Hartsfield Airport is one of the world's largest with 2m foreign visitors a year — Glyn Genin

■ HONG KONG

# Kai Tak choked by success

Hong Kong's Kai Tak airport is a microcosm of the territory it serves: compact, relatively efficient and hideously congested.

It is an airport past its sell-by date, having operated beyond capacity since last year. Work on a better version is under way, though progress on the key elements of the project remains hostage to Sino-British disagreements over the funding.

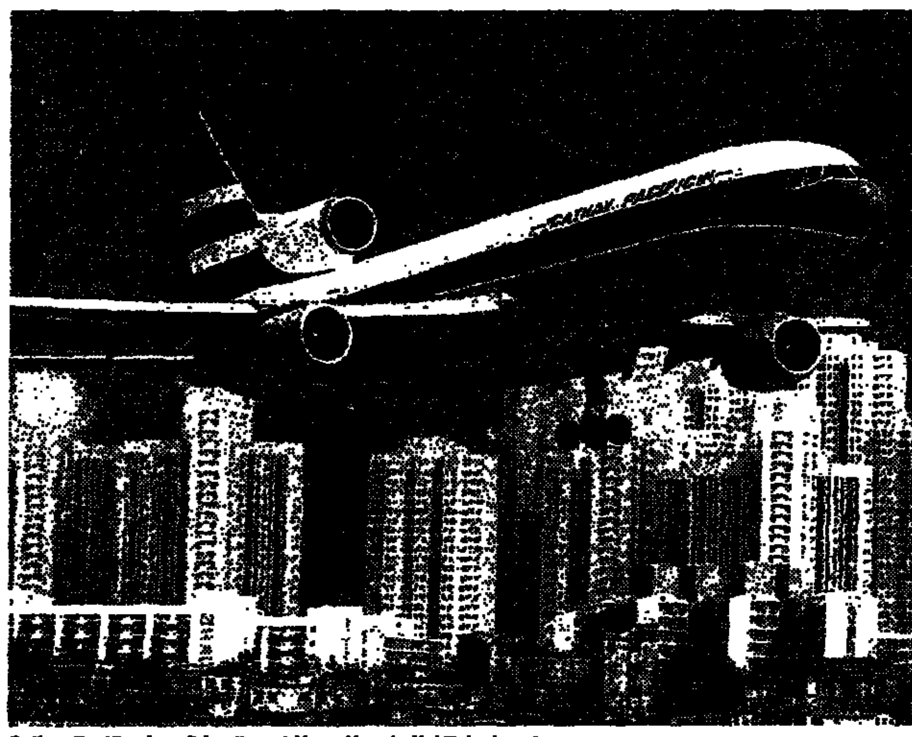
With around 28 flights taking off every hour and a daily thoroughfare of some 67,000 passengers, Kai Tak is in effect choked by its own success. Immigration queues are long and processed slowly (customs officials, possibly with reason, find it hard to believe Asian visitors would fly to Hong Kong for a holiday and ulterior motives of employment are invariably applied to holders of Philippine passports). Information is not as accessible as it might be, especially at arrivals.

Despite requirements to arrive at the airport well in advance of flights, there is little by way of amusement once passengers have checked in.

Shops selling duty free goods, books, souvenirs and sweets occupy cramped premises that are soon filled out by backpackers.

Yet, despite being the third busiest airport in the world, Kai Tak is small and contained under one roof.

**Louise Lucas**



Cathay Pacific aircraft landing at Hong Kong's Kai Tak airport — Glyn Genin

■ SINGAPORE

# Changi: so little to improve

Singapore is clean. It is efficient. It has very little crime. It is a country that works.

Singapore is boring. Too controlled. More like a giant theme park than a country. A society in which people are reduced to digits by a government obsessed by staying ahead.

Opinions on Singapore differ wildly. But even the most jaded observer of the Singapore scene finds very little to criticise about Changi Airport, the island republic's international terminus.

First, there is the space. There are acres of arrival and departures halls. Plenty of seating is available, even at peak travel times. The restaurants and bars are almost never crowded. And there are enough shops to exhaust a wallet full of plastic (few bargains are on offer).

It is difficult to tell when Changi is busy. Perhaps that is the test of a truly efficient airport. No queues, no bustle, no hustlers trying to carry your bag off to some dark place. Changi runs like – well – like Singapore.

More than half of the Changi site was reclaimed from the sea. Changi opened in 1981 and now handles more than 18m passengers a year. It is consistently voted as one of the world's best airports.

A bit of time between flights? A free city tour can be arranged. Singapore does not suffer the traffic mayhem of other cities in Asia. Your sightseeing bus is guaranteed to get you back in time.

Need a little rest? Then there are two transit hotels. Rooms can be leased for S$48 ($30) for six hours. The charge is double for 12 hours. There are saunas, fitness rooms, a cinema and business centres. There's even a carp pond to gaze into and meditate.

Skytrains link Changi's two terminals. Kleptomaniacs seem to roam the world's airports pinching luggage trolleys. No such problems at Changi. Enough trolleys to trip over.

Singapore loves statistics. It's a sure bet that passengers arriving in Singapore clear the airport faster than anywhere else. Queues at immigration are rare. Luggage comes off the carousel like fish down a slide.

No matter how efficient an airport is, the letdown usually happens when weary passengers reach the real world outside to be greeted by taxi touts or face an ill-tempered wait for transport.

But in Singapore, air-conditioned taxis are ready to whisk you to your hotel.

Some might quibble that Changi is a bit soulless. But then airports these days are hardly places that encourage warmth and tenderness.

There is only one real problem. Changi, in common with other airports, now bombards passengers in departure lounges with TV pulp. There is no escape. The screens are large. The sound cannot be turned down. It makes you want to leave – even to leave Changi.

**Kieran Cooke**

■ JFK, NEW YORK

# Last lap may be the worst

Located in the borough of Queens, 15 miles south-east of midtown Manhattan, John F. Kennedy Airport is the main hub for international flights to and from New York.

Sprawled over almost 5,000 acres, JFK is like the city it serves: chaotic and alsoovercrowded.

The terminals of the big US airlines (American, TWA, United, USAir and Delta) are efficient but lack frills, and the quality of the shops, restaurants, and bars is no better than average.

Standards are a bit higher at the British Airways terminal, but the main international terminal used by all other airlines is a disaster, and it really should be avoided whenever possible.

Airport staff are generally helpful when you can find them, although being New Yorkers they are often a touch surly.

The greatest problem with JFK, however, is the lack of an efficient transport service to and from the city. New York's subway does not reach as far as JFK, but you can take a bus from the terminals to the nearest subway station (Howard Beach/JFK Airport on the A, C and H lines, at $1.25 per one way trip).

It is more convenient, though no quicker, to take the bus all the way into Manhattan.

Several companies run regular airport services (Carey Transportation is regarded as the most reliable), and the fare costs between $12.50 and $20.

The journey can take anywhere between 40 minutes to an hour and a half, depending on the traffic and the number of stops the bus makes.

Taxi cabs are the quickest way to get into the city. Outside the rush hour the journey can take as little as 30 minutes, but bank on at least 45 minutes to an hour.

Always use licensed Yellow cabs, and expect to pay between $35 and $45 (including tips and tolls). For anyone crazy enough to use his own car in New York, long-term parking at JFK is cheap, but the car parks are some distance from the terminals.

**Patrick Harverson**

■ NEWARK

# Better gateway to New York

Newark airport, located 16 miles southwest of midtown Manhattan, may be in a different state from New York, but it offers a more pleasant arrival and departure point than JFK, and so is increasingly popular among visitors to the city.

The main terminals at Newark are more modern, less crowded and better run than those at the older, much bigger, JFK. There are not as many shops at Newark, but the bars and restaurants at the airport are in better shape and stay open longer. Service from airport staff is also generally more courteous.

The big advantage that Newark has over JFK is the travel time between the airport and the city. Because the roads between Newark and Manhattan are generally less crowded than those into the city from Queens, outside the morning rush hour it can take little more than 20 minutes to get to downtown Manhattan (this is particularly handy for anyone eager to get to a business meeting in the financial district). Add an extra 20 minutes, however, for uptown destinations.

You can either take the bus or a taxi. There are two main bus services: Grayline is quicker, costs $18 and can drop you off anywhere around midtown, while Olympia Buses is a bargain at only $7 but it goes only to one destination, Penn Station. Licensed yellow taxi cabs cost much they same as they do from JFK, at anywhere between $35 and $45, including tips and toll.

**Patrick Harverson**